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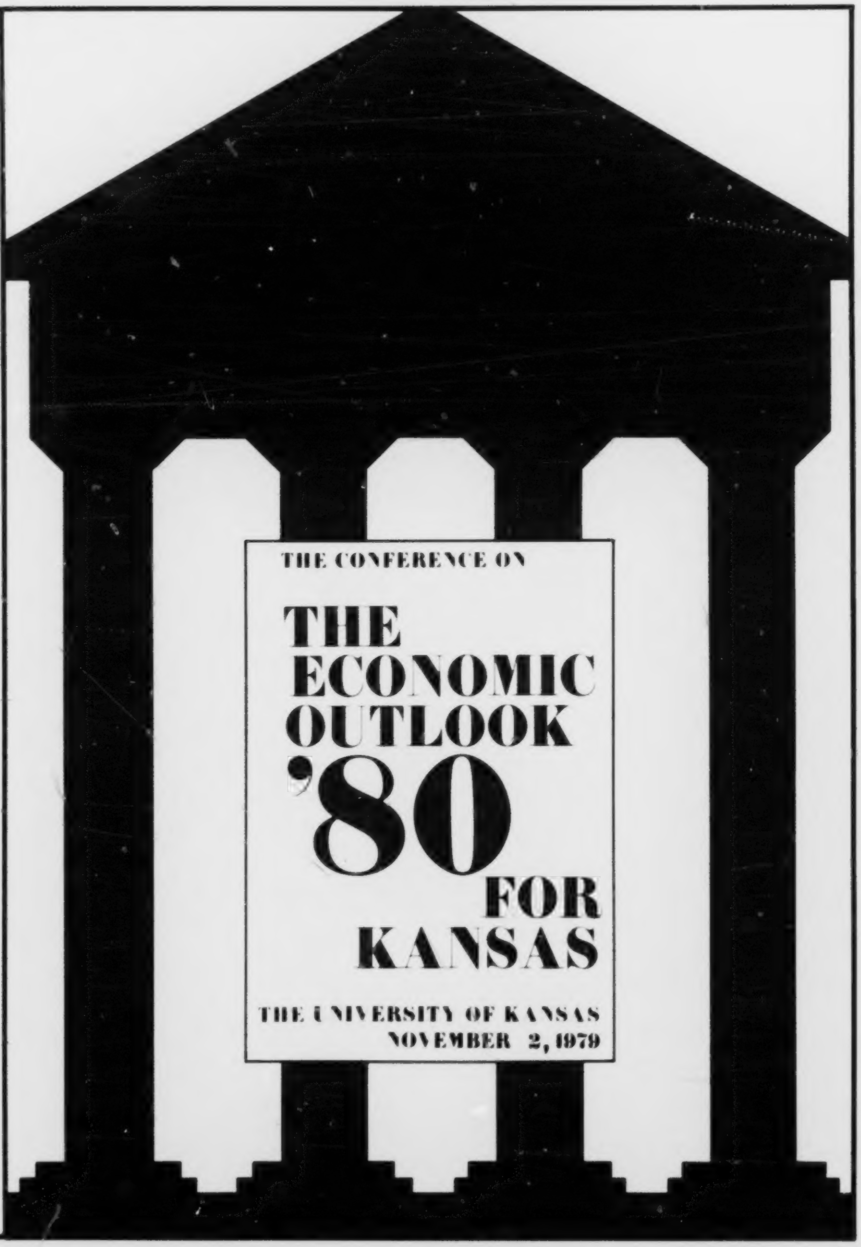
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The Market for Large Blocks of Bank Stock:

Evidence from the Tenth Federal Reserve District

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Introduction

What are the shares of a bank worth? In the relatively few situations where the shares are listed on an organized stock exchange or are actively traded over-the-counter, an objective answer to the valuation question is available. But in the vast majority of cases, bank shares are not traded in such a visible manner. In the absence of trading on either an organized exchange or an active over-the-counter market, bank shares are traded under two circumstances. First, the bank itself or a local broker or investment banker may provide a market for periodic transactions that entail only a small number of shares. Second, when a substantial number of the bank's shares are involved, trading is usually the product of personal negotiations between buyer and seller or their representatives.

Very little is known about this large block transaction market. The purpose of this paper is to provide some descriptive data on this market. Our intent is to report—using data from the Tenth Federal Reserve District[1]—who is trading in the market, the volume of trading being done, the prices being paid for bank stock, and several other transaction-related factors.

The Data Base

The data base differs from that utilized in several earlier bank stock market studies in two significant ways. First, instead of relying upon questionnaire information, it draws upon reports of actual stock ownership changes that all federally regulated banks must submit to their respective federal regulatory agencies. (As a result of Public Law 88-593 passed by Congress on September 12, 1964, a bank must report to its respective federal regulatory agency a number of details concerning bank stock transactions where control or a change in control has occurred.) The information in these reports generally is more detailed and more comprehensive than that provided by the questionnaires for the previous studies. Second, the transactions observed in this study generally involve much larger blocks of stock than those reported in earlier studies. Whereas the previous studies focused primarily on the prices of and the market for minority shares of bank stock, this study, by virtue of the data base, is predominantly oriented toward transactions that produce ownership control changes in the subject banks. In total, our data base comprises observations on more than 99.5 percent of all reported transactions in the Tenth Federal Reserve District since Public Law 88-593 was enacted through 1975.[2]

The Evidence

The descriptive evidence on the market for thinly traded bank stocks is presented under three topical headings: population characteristics, exchange descriptions,[3] and prices. The entire data base is used to obtain evidence in each of the three areas, then stratifications of the data are made in certain areas to highlight some of the ways in which the market has changed over time.

Population Characteristics

Approximately 1,469 major exchanges of bank stock took place in the Tenth Federal Reserve District from late 1964 through 1975. Table 1 presents a detailed description of the banks whose stocks were involved in a major exchange. It shows the distribution of exchanges by state both by count and as a percent of all observations. The percent of sample numbers shown in the second column are obviously influenced by differential populations, differential state banking environments, and the fact that some states represented in the Tenth District (most notably Missouri and New Mexico) have banks in other districts also. As column 3 shows, however, within any state, the percent of major exchanges that occurred during the approximately 11½-year study period equaled at least 50 percent of the number of Tenth District banks within that state.

The frequency of major exchanges was fairly high during the entire study period. Table 2 shows a time series history of the number of major exchange occurrences throughout the study period. The number of reported exchanges per year has generally increased with time. However, this is not particularly surprising given the increase in the number of banks in the Tenth District from 1,953 in 1965 to 2,276 in 1975.[4] Dividing the number of reported exchanges in a given year by the number of banks in the Tenth District that year results in a relative measure of bank stock trading activity over time. This measure indicates a slight increase in trading activity with time.

While it was more the exception than the rule, several banks, as shown in Table 3, had more than one major exchange of their stock take place during the 11½-year time span of the study. The greatest number of major exchanges in any one bank was seven. This happened in only one bank, while 241 banks had two major exchanges occur in their stock. In total, 976 separate banks were affected by major stock exchanges during the study period.

Table 1

Distribution of Exchanges by State: All Years

State	Number of Exchanges	Percent of Sample	Number of Exchanges as a Percent of the Average Number of Tenth District Banks in the State
Colorado	153	10%	52%
Kansas	**441**	**30**	**73**
Missouri	192	13	82
Nebraska	338	23	77
New Mexico	18	1	50
Oklahoma	273	19	65
Wyoming	54	4	74
Total	1,469	100%	

Table 2

Distribution of Exchanges by Year

Year	Number of Exchanges	Number of Exchanges as a Percent of the Number of Tenth District Banks in the State
1964	41	- (see footnote 4)
1965	91	5%
1966	91	5
1967	96	5
1968	122	6
1969	164	8
1970	157	8
1971	116	6
1972	133	6
1973	127	6
1974	175	8
1975	156	7
Total	1,469	

Not surprisingly, more than 90 percent of the exchanges involved banks whose asset size was less than $25 million, and 51 percent of the exchanges involved banks with assets under $5 million. Table 4 gives a complete percentage breakdown by asset size of the banks for which exchanges occurred during the study period.

Most of the exchanges have taken place in smaller market areas. This pattern is consistent with the fact that most exchanges took place in smaller banks. Over 50 percent of the ex-

Table 3

Number of Times During the Study Period That an Exchange Occurred for an Individual Bank: All Years

One time	631
Two times	241
Three times	73
Four times	22
Five times	7
Six times	1
Seven times	1
Total	976 banks

Table 4

Distribution of Bank Asset Size: All Years

Less than $2,000,000	23%
$2,000,000 to $5,000,000	28
$5,000,000 to $10,000,000	21
$10,000,000 to $25,000,000	20
$25,000,000 to $50,000,000	5
Greater than $50,000,000	3
	100%

Table 5

Distribution of Type of Exchange: All Years

Arms length sale	75%
Transfer to holding company owned by seller(s)	13
Sale to relative(s)	6
Transfer to heir(s) upon estate settlement	4
Gift	2
Other*	(less than 1)
Total	100%

* Other includes transfers to trust holdings, purchase of directors' or officers' qualifying shares, and new issues of stock.

Table 6

Relative Frequency of Debt Financing Ratios: All Years

Debt Financing Ratio*	Relative Frequency
0%	6%
0-20	2
20-40	4
40-60	11
60-80	24
80-100	24
100	16
Over 100	13

* Debt financing ratio is the percent of the purchase price that is debt financed.

Table 7

Percent of Annual Debt Financing Provided by Source

Year	Bank Financed	Seller Financed	Bank and Seller Financed	Third Party Financed	Bank and Third Party Financed
1964	96.2%	3.8%	0%	0%	0%
1965	97.8	0.4	0	1.8	0
1966	99.9	0.1	0	0	0
1967	94.5	0	5.5	0	0
1968	98.3	0.3	0	0	1.4
1969	99.7	0.3	0	0	0
1970	95.3	2.7	0	2.0	0
1971	95.2	3.6	1.2	0	0
1972	91.6	5.2	3.2	0	0
1973	84.7	6.2	8.8	0.3	0
1974	80.5	10.9	4.4	4.2	0
1975	61.8	23.8	12.2	0	2.2
Average for all years	86.2	8.0	4.3	1.0	0.5

changes took place in markets with under 10,000 population. In contrast, only 15 percent of the exchanges involved banks in markets with populations greater than 250,000 people.

Exchange Descriptions

The exchanges of bank stock that must be reported to federal bank regulatory authorities may be prompted by anything from estate settlements to arms length financial transactions. Of the exchanges where information was available on the nature of the exchange, most (75 percent) were bona fide arms length sales. As shown in Table 5, the remaining 25 percent of the exchanges were of some other kind, the majority of which would not even be classified as sales.

The consideration given in return for bank shares varies. Obviously, no financial consideration is involved in all the nonsales exchanges reported in Table 5, such as gifts and estate settlements. However, in those cases where financial consideration was extended, 85 percent involved cash only, 12 percent involved only securities (e.g., bank shares may be exchanged for holding company shares), and 3.0 percent involved a combination of cash and securities.

The acquisition of bank stock usually involves the use of debt. In 94 percent of the arms length exchanges where debt and purchase amount information were available, some debt was used in the acquisition of the stock. And, in 53 percent of all stock acquisitions, the ratio of debt to purchase amount equaled or exceeded 80 percent. Table 6 illustrates the relative frequency of various debt financing ratios. The fact that in 13 percent of the exchanges the amount of debt used *exceeded* the purchase amount is often explained by the pledging of bank shares already held, in addition to those being acquired (i.e., the exchange may provide an opportuning to refinance shares already owned and paid for). We may also consider the role of debt in bank stock financing from a different perspective. On average for all years, the ratio of the *total* dollar amount of debt used to purchase bank stock to the *total* dollar amount of bank stock purchased was about 87 percent. Thus, the typical sale of a large block of bank stock was largely financed with debt.

The mainstay of bank stock lending has been other banks, namely correspondent banks. On average, banks have been the source of 86.2 percent of all debt, sellers have provided 8.0 percent of the debt, and joint bank and seller financing has accounted for 4.3 percent of the debt. Examination of the sources of debt financing over time, however, reveals some interesting trends. Since 1969, seller financing has replaced a significant amount of bank financing both on its own and in conjunction with bank financing. This is shown in Table 7: in 1975, banks alone provided only 61.8 percent of all bank stock debt compared to the high 90 percent figures throughout the 1960s.

Throughout the study period, there have been more private (i.e., noncorporate) than corporate purchases of bank stock. On the average, 35 percent of all exchanges involved a corporate acquirer while 65 percent of the acquisitions involved private acquirers. Of the private acquisitions, approximately half have been by insiders (current bank stock owners) and half by outsiders.

Finally, the average exchange during the study period involved approximately 62 percent of the outstanding shares of the subject bank. A more detailed presentation of this "block size" data is shown in Table 8. Obviously, most exchanges were very large relative to the number of shares outstanding.

Prices

Prices that are paid in bank stock sales are of particular importance to bankers and investors. Although many object to stating prices in relation to book values, it is common practice within the industry. Prices paid for large blocks of bank stock in arms length transactions in the Tenth District have gradually increased from a mean of 1.40 times book value in 1964 to 1.73 times book value in 1975.[5] This trend is depicted in Figure 1.

It is also interesting to consider the distribution of price to book ratios over time. Table 9 shows a rather crude distribution with categories of price to book ratios of less than one, between one and two, and greater than two. The most striking feature of Table 9 is the large increase in the relative number of banks whose price/book ratio exceeded 2.0. In the mid-1960s, less than 10 percent of sales reported were more than twice book value. By the mid-1970s, however, about a third of all reported sales were more than two times book value. Table 9 also illustrates the considerable variability in price/book ratios. Taken together, Figure 1 and

Table 8

Distribution of Block Size* of Exchanges: All Years

Block Size	
0% to 20%	6%
20 to 40	14
40 to 60	26
60 to 80	25
80 to 100	29
	100%

(*) Block Size = $\frac{\text{number of shares exchanged}}{\text{number of shares outstanding}}$

Table 9

Distribution of Price/Book Ratios

Year	Percent of Price/Book Ratios That Are: Less Than One	Between One and Two	Greater Than Two
1964	16%	76%	8%
1965	11	81	8
1966	11	80	9
1967	27	67	6
1968	13	72	15
1969	13	67	20
1970	15	66	19
1971	13	72	15
1972	10	62	28
1973	10	60	30
1974	6	58	36
1975	10	59	31

Figure 1

Average Price/Book Ratio: 1964-1975

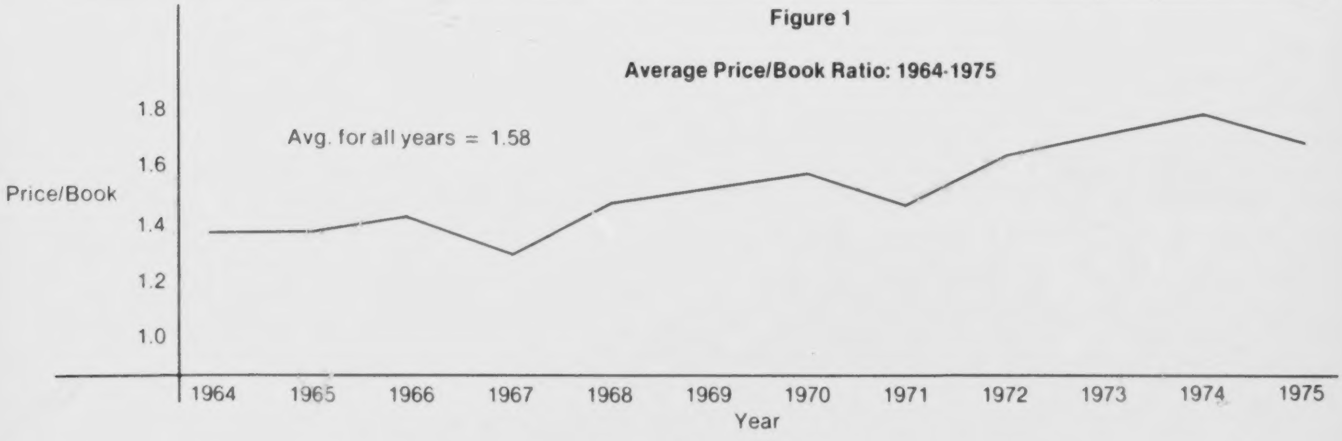

Table 10

Average Price/Book Ratios by State

Years	Colorado	**Kansas**	Missouri	Nebraska	Oklahoma	Wyoming
1964-67	1.62	**1.28**	1.54	1.38	1.41	1.33
1968-71	1.74	**1.36**	1.59	1.43	1.75	1.47
1972-75	1.68	**1.63**	1.66	1.72	2.03	1.83
All Years (average)	1.69	**1.45**	1.61	1.52	1.76	1.49

Figure 2

Average Price/Earnings Ratios: 1964-1975

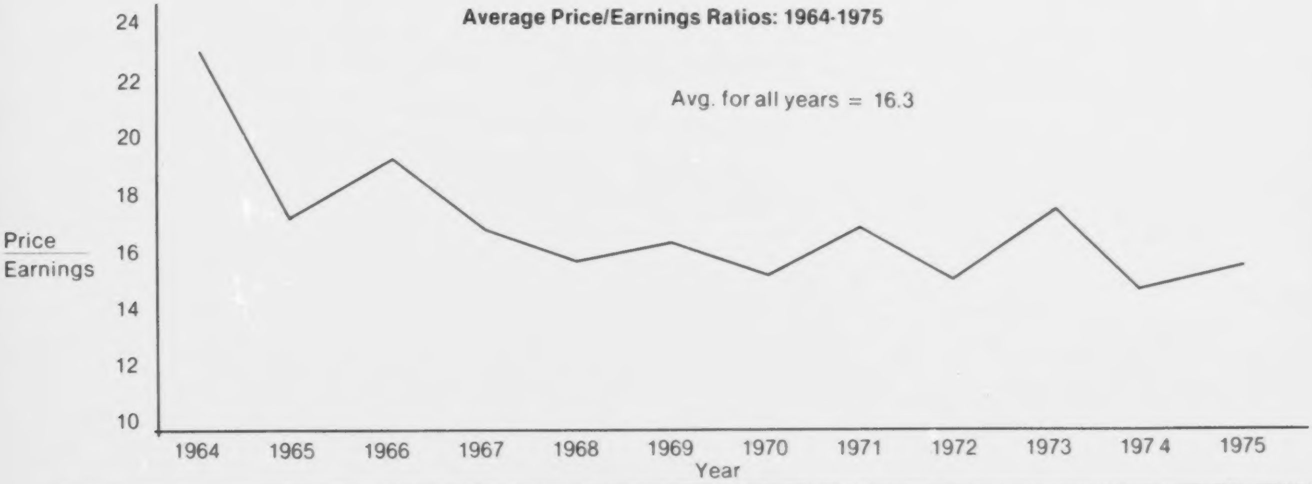

Table 11

Average Price/Earnings Ratios by State

Years	Colorado	**Kansas**	Missouri	Nebraska	Oklahoma	Wyoming
1964-67	19.7	**17.0**	14.2	19.5	19.4	17.7
1968-71	18.7	**14.8**	18.3	14.4	17.4	15.0
1972-75	17.2	**15.9**	15.2	15.8	13.8	16.1
All Years (average)	18.6	**15.7**	16.2	16.2	16.7	15.9

Table 9 indicate that banks sell for widely different price/book values, both over time and within any given year.

Table 10 presents a further breakdown of price to book value ratios by state. The data in each state was aggregated in four-year segments in order that the average price to book value ratios would be computed from many observations. Even so, there were not sufficient transactions in New Mexico to warrant its inclusion in the table. As Table 10 indicates, price to book value ratios have increased fairly consistently in all states over the study period. Colorado is the only state in which price to book value ratios declined from one period to another (3.0 percent from the 1968-71 time period to the 1972-75 time period). Bank stocks in all but two states, Colorado and Missouri, had price to book value increases of at least 25 percent from the 1964-67 time period to the 1972-75 time period. In those two exceptions, price to book values increased only moderately.

Price/Earnings (P/E) ratios are also commonly used in discussing stock prices, but they entail certain problems when earnings are extremely low or negative. Hence, cases of negative earnings and extremely low earnings, which produce negative and extremely high P/E ratios, respectively, must be ignored if meaningful statistics are to be computed. For the results presented in Figure 2, banks with negative P/E ratios and P/E ratios over 50 (which together account for just under 15 percent of the arms length exchanges where all data is available) have been omitted.

As Figure 2 indicates, the average P/E ratio has dropped since the mid-1960s. In the last two years of the study, 1974 and 1975, the average P/E ratio has been below the average P/E ratio of 16.3 for the entire period.

With the exception of Missouri, where P/E ratios were higher during 1972-1975 than in 1964-67, P/E ratios have generally declined in the Tenth

District States. As evidenced in Table 11, P/E ratio declines were greatest in Oklahoma and least in Kansas. Again, New Mexico data were omitted for lack of sufficient observations.

The diversity in the price/book and P/E ratios among the banks in the states in the Tenth Federal Reserve District may reflect several environmental factors. While all states in the District are influenced economically by agriculture, the degree of agriculture's economic influence varies considerably from region to region. Also, the types of agricultural activity vary extensively. Economic and population growth has also varied widely in the District's states. For example, Colorado's population growth reached boom proportions during the 1960s when its population increased nearly 26 percent or almost double the national average. Finally, the bank regulatory environment varies significantly among the states. While none of the states permit branch banking, Colorado, Missouri, New Mexico, and Wyoming are active states in the bank holding company movement. Kansas, Nebraska, and Oklahoma are unit banking states.

One of the interesting features of the two price series—price/book and P/E—is that they have diverged over time. While price/book ratios have increased, P/E ratios have generally declined. This phenomenon is best explained with the aid of Table 11 and the identity:

$$\frac{\text{Price}}{\text{Book}} = \frac{\text{Price}}{\text{Earnings}} \text{ X } \frac{\text{Earnings}}{\text{Book}}$$

$$= \frac{\text{Price}}{\text{Earnings}} \text{ X } \left[\frac{\text{Earnings}}{\text{Assets}} \text{ X } \frac{\text{Assets}}{\text{Book}}\right]$$

Notice that the bracketed expression is equivalent to the ratio of earnings/book, which, as shown in Table 12, has generally increased throughout the study period. This is, of course, consistent with the observed divergence of the two price measures. As seen in the identity, increasing price/book ratios and decreasing P/E ratios can only be explained by increasing earnings/book ratios. However, a more complete explanation of the diverging price measures is available from examination of the earnings/assets and the book/assets ratios. First, a few observations on the price ratios themselves are helpful.

Since the objective is to explain the relative movements of the price/earnings and price/book ratios over time, it simplifies matters when the time frame is broken into segments containing fairly consistent price movements. Reexamination of Figure 1 shows the increase in price to book ratios to be fairly consistent over the entire period but perhaps increasing slightly faster in more recent years. In the case of the price/earnings ratios (Figure 2), there appears to be a significant break sometime after 1967 with the ratios generally declining prior to that time and then flattening out over time (although there are still major fluctuations) thereafter.

As can be seen in Table 12, the earnings to assets ratio generally increased through 1969, then remained fairly flat on through 1975. The changes in the assets/book ratio seem to complement this pattern by remaining somewhat flat through 1968 then by increasing rather consistently through the remaining years. (It is not clear that the 1964 observations should be considered on an equal basis with the other observations since the 1964 data relies on observations in the last four months of the year.) Thus, it appears that the divergence in the two price ratio series is largely explained by improved earnings performance, as evidenced by increased earnings on assets in the mid-to-late 1960s, and by a declining capital structure, as evidenced by higher assets/book ratios in the late 1960s through 1975.

Conclusions

The intent of this paper has not been to explain relationships among the reported variables but, rather, to address the issue describing the "market" for thinly traded bank stocks. Data for our study are from banks in the Tenth Federal Reserve District. The descriptive statistics on what is being traded, who is trading, the nature of the trading activity, price data, financing data, and other variables tied with the transactions have been developed to meet that initial objective.

Probably the most surprising observation in this study in comparison with earlier studies is the significantly higher prices observed in bank stock transactions. Earlier studies observed price to book value ratios in the neighborhood of 1.0 and below, while this study shows the ratios to be easily half again that high. We expect that this change is due, in large part, to the large block sizes of our data base and to the fact that the exchanges we observed often produced ownership control changes. This and other topics will be the focal point of future studies.

Footnotes

[1] The Tenth Federal Reserve District includes Kansas, Nebraska, Wyoming, and Colorado, the northern third of New Mexico, all but the southeastern corner of Oklahoma, and the eastern counties of Missouri.

[2] Excluded transactions exist for a variety of reasons including erroneous reporting of data, mistakes in the data base which could not be easily corrected, and a lack of sufficient data on some observations to even begin a reconstruction of what occurred.

[3] The term "exchange" as used in this article refers to the sum of all transactions that are reported by a banker to the federal regulatory authorities on a single form. Certain ownership changes may involve several transactions that the report may or may not detail. Since it is often difficult to determine in those cases where a single transaction is reported if it is unique or an aggregation of several transactions, all multiple transactions detailed in a single report have been aggregated for this paper.

[4] Column 2 in Table 2 does not show a percentage result for 1964 because Public Law 88-593 was passed in mid-1964; thus, there was not a complete year of observations for that year.

[5] Book value is computed as stockholder equity and does not include any reserves for loan losses.

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Table 12

Average Yearly Earnings, Book, and Assets Ratios for All Banks

Year	Earnings/Assets	Assets/Book	Earnings/Book
1964	0.6%	8.7%	6.2%
1965	0.4	9.6	3.5
1966	0.7	9.6	6.6
1967	0.7	9.5	7.1
1968	0.8	9.7	7.8
1969	0.9	10.7	9.5
1970	0.8	10.6	9.1
1971	1.0	10.4	9.8
1972	1.0	11.1	11.0
1973	0.8	11.1	8.9
1974	1.0	11.8	11.7
1975	0.9	11.5	10.9
Average (all years)	0.8	10.3	8.5

Kansas in July

Due to continued delays in the reception of all the necessary data, the summaries and tables for Retail Sales Subject to Sales Tax by Business Classification and for Retail Sales Subject to Sales Tax by County are not included in this issue.

General Business

Nationally, the economic question is no longer if or when there will be a recession; rather, the question has become when did the recession start and how severe will it be. Sometime during the second quarter of 1979 appears to be the answer to when the recession started. As to the severity of the current recession, there are many different forecasts, but two stand out: mild and short, or deeper and longer than anyone wants. It is still too early to predict the depth of the recession, in part, because of the unknown policy variables in the hands of the President, Congress, and the Federal Reserve. The level of counter- cyclical spending increases or tax decreases that will come from the President and Congress can only be guessed at, especially when the added variable of next year's presidential election is added. Throughout the summer, the Federal Reserve has driven up interest rates, yet the money supply—a difficult term to define at present—continues to expand. The increase in loan demands at a time of rising interest rates is explained by the need for businesses to finance expanding inventories, and the expanding inventories experienced in July will mean less production in the future which, in turn, means future unemployment.

The general business indicators for Kansas suggest that the pressures of the recession are already at work in Kansas. Average weekly earnings dropped from June to July of 1979 to the February 1979 level. When the rate of inflation as measured by the Consumer Price Index is taken into account, it becomes readily apparent that Kansas workers faced declining purchasing power in July. Added to this problem is the sudden increase in initial claims for unemployment—up a dramatic 72.7 percent in July over June. On the more positive side, the work week rose from June to July as did the number of new incorporations, both in-state and out-of-state, for profit.

As the nation moves through this current recession, Kansas can expect to suffer less than most states. One reason is the current agricultural situation which is particularly bright for Kansas farmers. Because agriculture is so important to the Kansas economy, a good farm year can offset some of the ill effects of a recession. A second reason is the booming economy of Wichita, particularly the boom in the aircraft industry. Finally, it should be noted that during the last recession (1973-1974), Kansas suffered less than other states, in part, for precisely these two reasons. (See Table I.)

Employment

The ambiguity in the July figures for Kansas employment make an evaluation of Kansas's current position and near-term future difficult. When July of this year is compared to July of last year, the employment picture looks good. Employment in most industries was up over last year and total employment was up 3.2 percent. However, when June and July are compared a different picture emerges. For the first time in a year, total employment in Kansas dropped. Some of the decrease in employment can be explained as simply a seasonal phenomenon, but part of the drop seems to indicate at least a partial slow-down in the Kansas economy, especially when the national situation and other Kansas economic data are considered. (See Table III.)

The two categories of employment showing the largest decreases from June to July of 1979 were manufacturing (– 2.0 percent) and State and local government (– 7.3 percent). The drop in manufacturing employment was located almost solely in the durable goods sector (– 3.6 percent), specifically in the transportation equipment industry (– 6.8 percent). However, employment in the aircraft and parts industry, a subcategory of the transportation equipment industry, rose slightly in July. The two contrary movements suggest the influence of the damage to the General Motor Assembly Plant in Kansas City and the continued strength of the aircraft industry, particularly in the Wichita area.

Two industries that showed significant increases in employment in July were mining (1.5 percent) and contract construction (1.1 percent). The increase in mining employment was in the subcategory of oil and gas extraction (1.9 percent) and may, in part, reflect the increased desirability of Kansas energy resources due to price increases for oil this spring. The increases in contract construction employment is a combination of a seasonal phenomenon and a catching-up for the relatively inactive spring of this year.

Only two major categories of employment—federal and State and local government—had a decline in employment from July of 1978 to July of 1979. Manufacturing employment was up 4.9 percent during this period. Both the durable and the nondurable goods sectors had employment increases, and the only subcategories of manufacturing employment which had employment drops were apparel (–2.8 percent) and other nondurable goods (–0.9 percent). The past year represents a period of strong, sustained growth in Kansas employment. (See Table II.)

Regional Employment

The July regional employment figures for Kansas demonstrate the same type of ambiguity as the State employment figures. With only a few exceptions, the number of employed persons dropped from June to July of 1979, but from July of 1978 to July of 1979 the number of employed persons increased. Statewide, the unemployment rate rose slightly in July over the June level but was still significantly below the unemployment rate of last July. In only four of the regions—the Lawrence SMSA, the Kansas portion of the Kansas City SMSA, the Pittsburg area, and the Coffeyville area—did the unemployment rate increase from June to July, and in only two regions—the Lawrence SMSA and the Kansas portion of the Kansas City SMSA—did the unemployment rate increase from July of 1978 to July of 1979.

The regional areas which did not experience a decline in the number of employed persons were the Wichita SMSA, the Emporia area, and the Salina area. The Wichita SMSA has had a strong employment picture for the past few years and, at present, seems to suffer from a lack of skilled labor, at least in some industries. The Salina area has also shown a steady growth in the number of employed persons and a decline in the number of unemployed persons through all of 1979. The July increase in employment in Emporia does not reflect the continuation of a past trend. In fact, Emporia suffered a large drop in the number of employed persons in June. (See Table III.)

Farm Prices

The Kansas July figures for field crop prices and livestock prices reflect the changes in the national farm picture, which forced the United States Department of Agriculture to revise its projected 1979 farm income. Early in the summer, the Department of Agriculture lowered its 1979 farm income forecast from $33 billion to $32 billion, and then, more recently, it lowered the forecast farther to about $30 billion. These downward revisions were the result of nationally lower livestock prices. However, field crop prices—the other major side of the income picture—held up well; in fact, July field crop prices nationally were significantly higher than they were last year despite a near-record grain crop in the United States this year—a reflection of reduced world-wide production. The cause of these higher field crop prices was, and still is, the foreign demand for United States grain, particularly from the Soviet Union.

The prices Kansas farmers received for field crops rose significantly in the spring and early summer months. From April to July of 1979, wheat prices went up 27 percent, corn prices went up 16 percent, sorghum prices went up 26 percent, and soybean prices rose nearly 4.0 percent despite an estimated 16 percent increase in national soybean production this year. Only hay prices fell in July, but, in contrast to the price a year ago, July 1979 hay prices were up 34 percent. All of the field crop prices were up when compared to those of a year ago, although it must be remembered that the prices are not adjusted for inflation. Once inflation is taken into account, it can be said that the prices Kansas farmers received in July for grain were good (especially so when the record level of production is considered) but that the price increases were not as good as the simple percentage change of market prices indicates. (See Table VI.)

Financial Activity

The pattern that banking data have followed throughout the first seven months of 1979 shows the influence of Federal Reserve policy shifts. In the late fall of 1978, in order to protect the dollar, the Federal Reserve instituted a sharp rise in the discount rate and, in general, a tight money policy. Kansas banks responded by cutting loans back by approximately 10 percent in January and, then, by keeping them at that new level until April, despite double-digit inflation. However, in the early spring, the Federal Reserve began easing the money supply, and Kansas banks responded in April with a surge of new loans which continued through June. The July figures indicate that the surge due to the easing of the money supply in the spring is dampening. Statewide, there was only a slight increase in the amount of loans, and, in each of the three major banking centers, there was a drop in the amount of loans. It is doubtful that this pattern will continue; the money supply has steadily increased through the summer at a faster rate than was expected even though interest rates have been driven to an all-time high by the Federal Reserve. The data for the rest of the summer will probably show loans increasing through the summer to pay for the inventory build-up which usually occurs at the beginning of a recession.

As noted last month in *Kansas Business Review*, time and savings deposits have increased more over the year than have demand deposits because of the regulation change which allows automatic transfer between savings and checking accounts. But, as also noted last month, this increase in time and savings accounts only appears when the figures for the month are compared to those of a year ago. From June to July of 1979, demand deposits increased more or decreased less than time and savings deposits statewide, in Kansas City, Kansas, and in Wichita. Only in Topeka did demand deposits decrease more than time and savings deposits. It seems that the distortion caused by the change in the banking regulation has already been absorbed. (See Table VII.)

The July figures for mortage loans made represent yet another month of decline. This decrease is a continuation of a trend which began in January of this year and which has accompanied the decline in the housing market. Net new savings also declined when compared to a year ago. (Because of the bulge in net new savings every third month due to interest payments being credited to savings accounts, the most meaningful comparison is with the same month a year ago.) Therefore, these July figures evidence no basic change in the situation faced by savings and loan institutions since January. (See Table VIII.)

TABLE I
GENERAL BUSINESS INDICATORS

	July 1979	June 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1978
Manufacturing					
Average Work Week (hrs.)	40.90	40.80	0.20	40.40	40.70
Average Weekly Earnings (dollars)	269.94	273.77	– 1.40	268.15	240.99
Initial Claims for					
Unemployment Insurance	12,631.00	7,312.00	72.70	8,400.00	8,082.00
New Incorporations					
Domestic for Profit	381.00	374.00	– 1.90	371.00	336.00
Foreign for Profit	102.00	90.00	13.30	88.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK
(thousands)

Industry	July 1979	June 1979	% change	July 1978	% change
All Industries	943.8	958.3	– 1.5	914.9	3.2
Manufacturing	197.7	201.8	– 2.0	188.4	4.9
Durable Goods	128.5	133.3	– 3.6	121.4	5.8
Stone, Clay, Glass	10.3	10.3	0.0	9.7	6.2
Primary Metals	4.0	4.0	0.0	3.7	8.1
Fabricated Metal Products	14.0	14.1	– 0.7	13.7	2.2
Machinery (incl. elec.)	34.7	34.7	0.0	31.9	8.8
Transportation Equipment	51.9	55.7	– 6.8	49.2	5.5
Aircraft & Parts	46.0	45.4	1.3	38.0	21.1
Other Durable Goods	13.6	13.5	0.7	13.2	3.0
Nondurable Goods	69.2	69.5	– 0.4	67.0	3.3
Food & Kindred Products	23.9	23.8	0.4	23.0	3.9
Meat Products	8.6	8.6	0.0	8.5	1.2
Apparel	3.5	3.6	– 2.8	3.6	– 2.8
Printing & Publishing	17.0	17.0	0.0	15.9	6.9
Chemicals	8.4	8.5	– 1.2	8.2	2.4
Petroleum & Coal	4.9	4.9	0.0	4.7	4.3
Other Nondurable	11.5	11.7	– 1.7	11.6	– 0.9
Mining	13.4	13.2	1.5	12.8	4.7
Oil & Gas Extraction	11.0	10.8	1.9	10.6	3.8
Contract Construction	56.3	55.7	1.1	51.4	9.5
Trans., Comm., Elec., Gas	67.9	67.9	0.0	64.2	5.8
Wholesale Trade	63.6	63.0	1.0	62.8	1.3
Retail Trade	162.1	163.2	– 0.7	159.2	1.8
Finance, Insurance, Real Estate	47.8	47.5	0.6	46.0	3.9
Services	165.8	165.3	0.3	158.9	4.3
Federal Government	25.9	26.1	– 0.8	26.4	– 1.9
State & Local Government	143.3	154.6	– 7.3	144.8	– 1.0

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	July 1979	June 1979	% change	July 1978	% change
Kansas—Statewide					
Civilian Labor Force	1,235,200	1,243,600	– 0.7	1,175,800	5.1
Employed	1,195,200	1,205,200	– 0.8	1,133,500	5.4
Farm	82,200	83,000	– 1.0	82,300	– 0.1
Non-Farm	1,113,000	1,122,200	– 0.8	1,051,200	5.9
Unemployed	40,000	38,400	4.2	42,300	– 5.4
Rate	3.2%	3.1%		3.6%	
Lawrence SMSA					
Civilian Labor Force	32,000	32,700	– 2.1	30,400	5.3
Employed	30,800	31,600	– 2.5	29,300	5.1
Farm	1,000	1,100	– 9.1	1,100	– 9.1
Non-Farm	29,800	30,500	– 2.3	28,200	5.7
Unemployed	1,200	1,100	9.1	1,100	9.1
Rate	3.8%	3.4%		3.6%	
Kansas portion of Kansas City SMSA					
Civilian Labor Force	264,100	270,600	– 2.4	259,100	1.9
Employed	254,000	261,300	– 2.8	249,700	1.7
Farm	1,800	1,800	0.0	1,800	0.0
Non-Farm	252,200	259,500	– 2.8	247,900	1.7
Unemployed	10,100	9,300	8.6	9,400	7.4
Rate	3.8%	3.4%		3.6%	
Topeka SMSA					
Civilian Labor Force	95,500	97,000	– 1.5	94,200	1.4
Employed	92,100	93,200	– 1.2	90,800	1.4
Farm	2,400	2,400	0.0	2,500	– 4.0
Non-Farm	89,700	90,800	– 1.2	88,300	1.6
Unemployed	3,400	3,800	– 10.5	3,400	0.0
Rate	3.6%	3.9%		3.6%	
Wichita SMSA					
Civilian Labor Force	226,200	225,900	0.1	208,150	8.7
Employed	219,800	218,900	0.4	200,550	9.6
Farm	3,300	3,400	– 2.9	3,300	0.0
Non-Farm	216,500	215,500	0.5	197,250	9.8
Unemployed	6,400	6,800	– 5.9	7,600	– 15.8
Rate	2.8%	3.0%		3.7%	
Barton Co.—Great Bend Area					
Civilian Labor Force	17,675	17,750	– 0.4	17,500	1.0
Employed	17,275	17,325	– 0.3	17,125	0.9
Farm	1,200	1,225	– 2.0	1,225	– 2.0
Non-Farm	16,075	16,100	– 0.2	15,900	1.1
Unemployed	400	425	– 5.9	375	6.7
Rate	2.3%	2.4%		2.1%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	July 1979	June 1979	% change	July 1978	% change
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,225	16,350	– 0.8	16,150	0.5
Employed	15,600	15,725	– 0.8	15,475	0.8
Farm	1,100	1,100	0.0	1,125	– 2.2
Non-Farm	14,500	14,625	– 0.9	14,350	1.0
Unemployed	625	625	0.0	675	– 7.4
Rate	3.9%	3.8%		4.2%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,450	17,375	0.4	17,175	1.6
Employed	17,075	17,000	0.4	16,725	2.1
Farm	1,075	1,075	0.0	1,100	– 2.3
Non-Farm	16,000	15,925	0.5	15,625	2.4
Unemployed	375	375	0.0	450	– 16.7
Rate	2.1%	2.2%		2.6%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,275	21,475	– 0.9	21,000	1.3
Employed	20,725	20,950	– 1.1	20,425	1.5
Farm	775	800	– 3.1	800	– 3.1
Non-Farm	19,950	20,150	– 1.0	19,625	1.7
Unemployed	550	525	4.8	575	– 4.3
Rate	2.6%	2.4%		2.7%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	32,200	32,625	– 1.3	31,925	0.9
Employed	31,400	31,775	– 1.2	30,925	1.5
Farm	1,725	1,750	– 1.4	1,750	– 1.4
Non-Farm	29,675	30,025	– 1.2	29,175	1.7
Unemployed	800	850	– 5.9	1,000	– 20.0
Rate	2.5%	2.6%		3.1%	
Riley Co.—Manhattan Area					
Civilian Labor Force	20,575	21,025	– 2.1	19,375	6.2
Employed	19,950	20,350	– 2.0	18,750	6.4
Farm	1,375	1,400	– 1.8	1,400	– 1.8
Non-Farm	18,575	18,950	– 2.0	17,350	7.1
Unemployed	625	675	– 7.4	625	0.0
Rate	3.0%	3.2%		3.2%	
Saline Co.—Salina Area					
Civilian Labor Force	26,400	26,275	0.5	26,075	1.2
Employed	25,675	25,500	0.7	25,225	1.8
Farm	925	925	0.0	925	0.0
Non-Farm	24,750	24,575	0.7	24,300	1.9
Unemployed	725	775	– 6.5	850	– 14.7
Rate	2.7%	2.9%		3.3%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

DATA NOT AVAILABLE

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

DATA NOT AVAILABLE

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	July 1979	June 1979	% change	July 1978	% change	Annual Avg. 1978
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.85	3.72	3.5	2.70	42.6	2.72
Corn (bu.)	2.79	2.77	0.7	2.38	17.2	2.21
Sorghum (cwt.)	4.28	4.25	0.7	3.39	26.3	3.29
Hay (ton)	49.50	49.00	1.0	37.00	33.8	40.88
Soybeans (bu.)	7.30	7.22	1.1	6.21	17.6	6.17
Livestock & Products						
Beef Cattle (cwt.)	67.50	68.40	– 1.3	54.10	24.8	50.72
Calves (cwt.)	84.50	86.90	– 2.8	58.80	43.7	58.78
Hogs (cwt.)	38.60	39.60	– 2.5	45.80	– 15.7	47.66
Lambs (cwt.)	62.50	66.00	– 5.3	55.60	12.4	59.47
Sheep (cwt.)	16.90	20.00	– 15.5	15.40	9.7	13.33
Milk (cwt.)	11.90	11.80	0.8	10.20	16.7	10.73
Prices Paid by Farmers						
Soybean Meal (cwt.)	13.50	12.50	8.0	11.00	22.7	10.92
Bran (cwt.)	7.40	7.50	– 1.3	6.10	21.3	6.27
Beef Conc. (cwt.)	9.50	9.50	0.0	8.70	9.2	8.58
16% Dairy Feed (ton)	158.00	152.00	3.9	140.00	12.9	138.17
Hog Conc. (cwt.)	14.00	14.00	0.0	12.50	12.0	12.31
Laying Feed (ton)	187.00	177.00	5.6	161.00	16.1	160.08

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	July 1979	June 1979	% change	July 1978	% change
Kansas—Statewide					
Loans	7,757	7,756	0.0	7,170	8.2
Demand Deposits	4,017	3,975	1.1	3,856	4.2
Time & Saving Deposits	7,847	7,876	– 0.4	7,027	11.7
Loan-to-Deposit Ratio	65.4%	65.4%		65.9%	
Kansas City (Wyandotte)					
Loans	475	479	– 0.8	497	– 4.4
Demand Deposits	238	232	2.6	251	– 5.2
Time & Saving Deposits	543	550	– 1.3	484	12.2
Loan-to-Deposit Ratio	60.8%	61.3%		67.6%	
Topeka (Shawnee)					
Loans	522	523	– 0.2	457	14.2
Demand Deposits	283	298	– 5.0	260	8.8
Time & Saving Deposits	508	509	– 0.2	445	14.2
Loan-to-Deposit Ratio	66.0%	64.8%		64.8%	
Wichita (Sedgwick)					
Loans	1,227	1,243	– 1.3	1,148	6.9
Demand Deposits	752	767	– 2.0	694	8.4
Time & Saving Deposits	1,032	1,095	– 5.8	930	11.0
Loan-to-Deposit Ratio	68.8%	66.8%		70.7%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

THE CONFERENCE ON

THE ECONOMIC OUTLOOK '80 FOR KANSAS

THE UNIVERSITY OF KANSAS
NOVEMBER 2, 1979
THE KANSAS UNION

Program

9:00 Lobby (5th Level)	**Registration**
Parlors (5th Level)	**Coffee and Doughnuts**
10:00 Woodruff (5th Level)	**Opening Remarks** Dr. Ralph Christoffersen Vice Chancellor of Academic Affairs, The University of Kansas **Introduction of the Governor** Chancellor Archie R. Dykes, The University of Kansas **The Governor's Address to the Conference** The Honorable John Carlin **The University and Kansas** Chancellor Archie R. Dykes **The Kansas Economy** Dr. Darwin W. Daicoff, Director, Institute for Economic and Business Research, The University of Kansas Dr. M. Jarvin Emerson, Professor of Economics, Kansas State University **Questions from the Audience** Moderator: Dr. Ralph Christoffersen

12:00 Ballroom (5th Level)	**Lunch** **Introductions** Dr. Ralph Christoffersen
1:00	**The U.S. Economy: A Review and Forecast** Mr. George L. Perry, The Brookings Institution
2:15	**Transportation Deregulation in Kansas: Pro and Con** Moderator: Senator Robert Talkington, Chairman, Special Committee on Transportation Resource Persons: Pete Loux, Chairman, Kansas Corporation Commission Dr. Joe Lee, Director, Transportation Research Group, The University of Kansas Panel Members: William Drenner, Executive Vice President, First National Bank, Topeka Frank J. Becker, President, Kansas Motor Carriers Association Pat Hubbell, Legislative Representative, Kansas Railroad Association
3:30	**Adjourn**

Registration can be completed by calling *toll-free* 1-800-532-6772 from 7 a.m. to 7 p.m. Monday through Friday.

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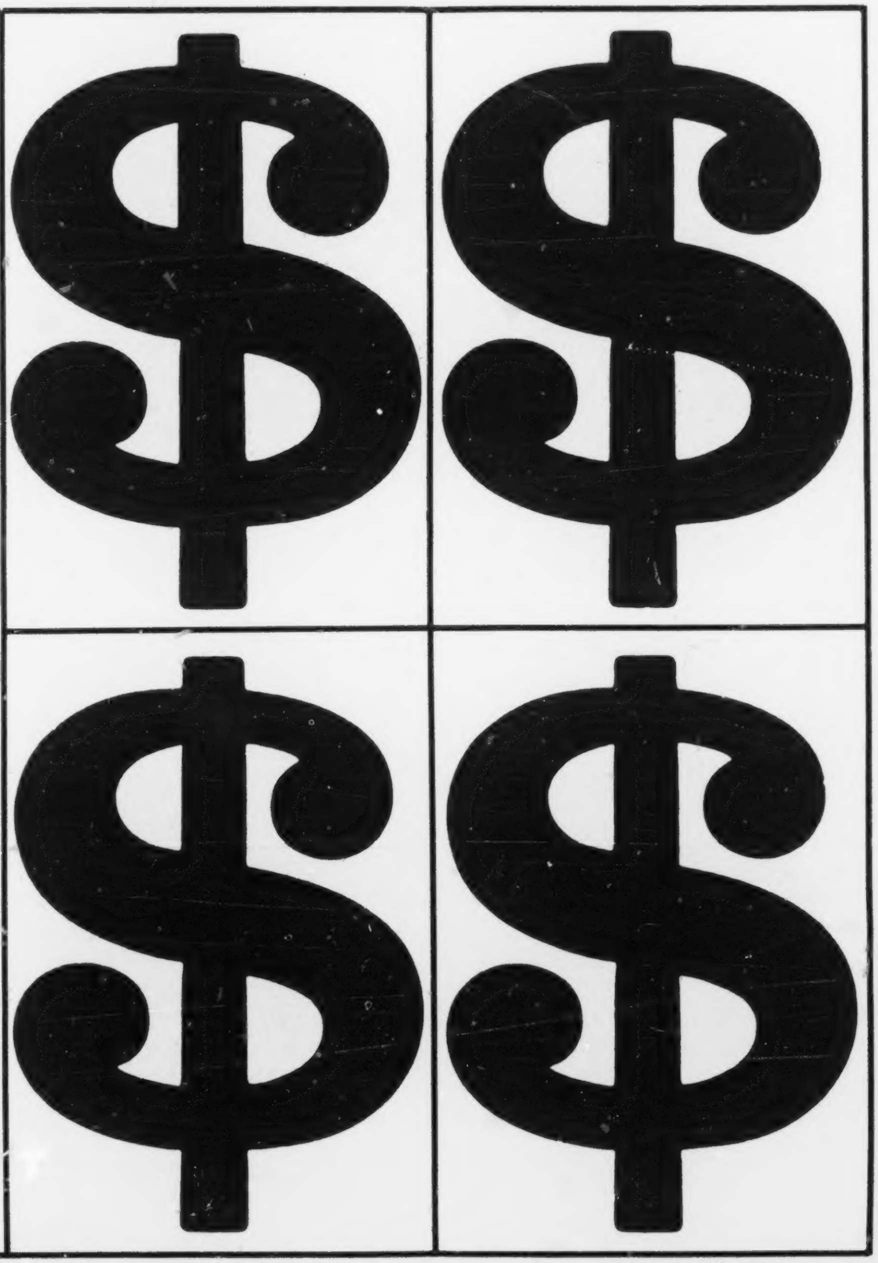
Kansas in August

Business Highlights from Across the State



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Kansas Price Indexes

Robert H. Glass

Robert Glass received his M.A. in Economics at the University of Kansas in 1978 and is currently a research assistant for the Institute for Economic and Business Research. He would like to acknowledge the help of Institute staff persons, Laura Shoffner, Sue Malloy, Beth Teson, and Regina Beard, in the writing of this article.

Introduction

One of the major structural changes in the United States' economy in the last fifteen years has been the presence of "sustained inflation." Of course, during the twentieth century, there have been other periods of inflation in the United States. However, these periods have been caused primarily by the United States' involvement in war. As a result, when the economy readjusted to peacetime, inflation subsided. But the American experience with the Vietnam War and the period following has been significantly different. The price level since the mid 1960s has not increased at a steady rate, but it has accelerated. The Consumer Price Index (CPI) has more than doubled since 1967, and it has increased more than 50 percent since January 1974. Recent trends indicate that Americans will continue to face inflation for the near future.

If inflation struck evenly across the board—if every price and cost were to increase equally—then inflation would be more of a nuisance than a serious economic problem. However, although inflation does mean a continuous rise in the price level, it does not mean all prices rise by the same amount. Some markets, for example nonunion labor markets as compared to those of union labor, are more flexible than other markets in responding to changes in economic conditions. Some prices that are determined outside the market place, such as the price of products produced by regulated industries such as public utilities, tend to be more rigid. There is also the problem of long-term contracts, which do not have an inflation factor in their pricing mechanism.

Examples of the disparity in the price changes of various goods abound. From 1967 to 1978, the CPI for medical care rose 119.4 percent while the CPI for entertainment rose only 76.2 percent. From 1967 to May 1979, the CPI for food rose 134.3 percent while the CPI for alcoholic beverages rose only 71.5 percent. Not only can there be a disparity in the price changes of various goods, but there can also be a disparity in the changes in price levels for different geographic areas. From 1967 to May 1979, the CPI for the Denver-Boulder area rose 131.1 percent, while from 1967 to April 1979 the CPI for the Kansas City area rose 111.5 percent. The effect of these divergent trends in wage and price increases is an erratic redistribution of wealth that is not voted upon nor approved by the citizenry. In essence, certain segments of the populace become the victims of socio-economic changes; economic power and control shifts from the individual and becomes a seemingly arbitrary system to which the individual is subservient.

It is to one aspect of this problem—the geographic disparity in price changes—that this article addresses itself. Specifically, how have Kansas and the larger trade centers in Kansas been affected by inflation?

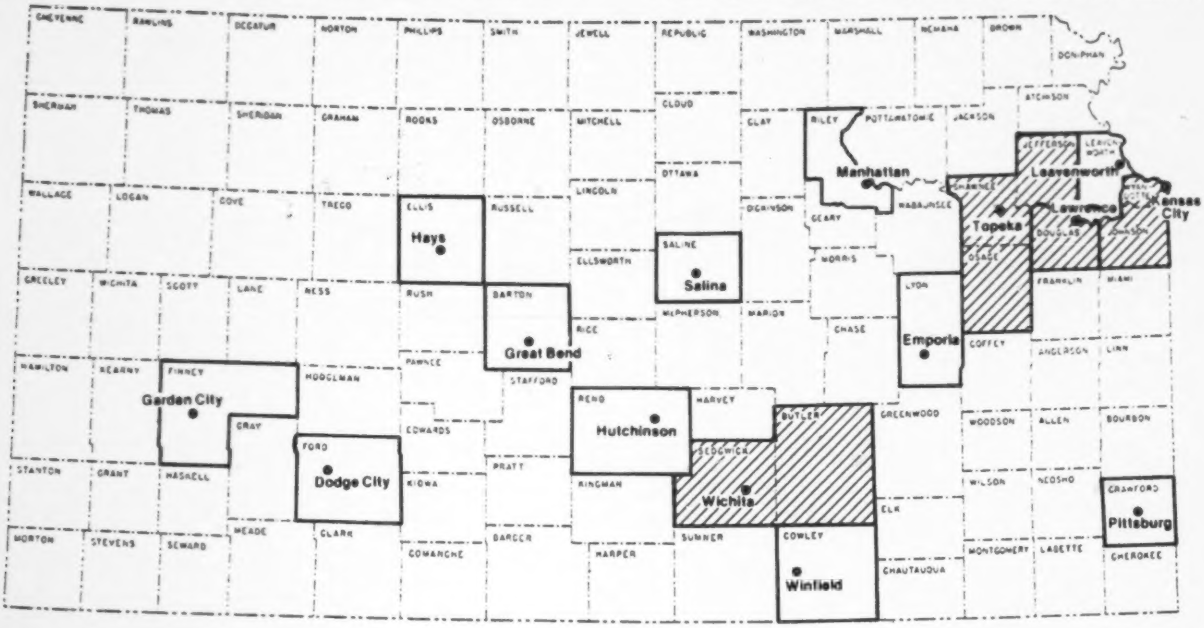
Methodology

A published price index for Kansas or for any part of Kansas does not exist, except for the Bureau of Labor Statistics' (BLS) CPI for the Kansas City SMSA, which includes Johnson and Wyandotte Counties. However, a methodology has been developed for estimating state price indexes and can be used for smaller areas if certain conditions can be met. The primary condition is that the area be relatively economically independent, which is why, in this study, a price index was developed for only a few areas in Kansas and for the State of Kansas. The areas chosen for study are outlined in Figure I: four SMSAs plus the other eleven largest trade centers in Kansas.

For the multi-county SMSAs, data are available at both the county and total SMSA level. In the case of the Kansas City SMSA, a price index was not developed for only the Kansas portion—Johnson and Wyandotte Counties—of the SMSA. There are two reasons for this decision. Conceptually, it is difficult to imagine a price index for only part of an SMSA. The definition of an SMSA implies a cultural and economic unity: people living within the SMSA do not simply buy goods in the area near them; instead, they tend to shop throughout large portions of the SMSA. Thus, a price index for only Johnson County retail establishments is inadequate if the desire is to measure the prices paid by Johnson County residents. Also, a methodological problem is caused by the interflow of purchasing, which violates the assumption of economic independence. This independence is not the case with portions within an SMSA.

The major problem concerning the eleven trade centers is the question of whether they are economically independent. Table I provides a comparison between the retail sales for the trade center and the retail sales for the county in which the trade center is located. In all but the case of Arkansas City, the trade center dominates the

Figure I Kansas SMSAs and Trade Centers **Trade Centers Are Outlined Areas; SMSAs Are Lined Areas**



retail trade of the county in which the trade center is located. This dominance points to the market pull of the trade center, which suggests that the trade center is not dependent upon the surrounding county in terms of retail sales. Table II provides an indication of the strength of the retail trade base within the counties containing the trade centers compared to the surrounding areas. If the percentage of per capita retail sales to per capita personal income for a particular center is below the same percentage for the State, then there is some above-average leakage of retail sales to surrounding areas. Only Riley and Leavenworth counties seem to have any significant leakage.[1] Thus, of the eleven large trade centers in Kansas, in addition to the SMSAs, all except Manhattan (Riley County), Leavenworth (Leavenworth County), and Arkansas City (Cowley County) show strong evidence of economic independence.

The fundamental methodology for developing the price indexes can be found in the paper "A State Price Index" by Victor R. Fuchs, Robert T. Michael, and Sharon R. Scott.[2] Three critical assumptions underlie the authors' price index:

1) a composite set of goods sold at retail has significant cross-region variation in price;
2) there is an insignificant amount of cross-region buying of this set of goods; and
3) the ratio of the consumption of these goods to a composite of all other commodities including personal taxes and savings is constant across regions.[3]

The type of index developed is called a Laspeyres index (L) and is defined for region j as:

(1)

$$L_j = \frac{P_{1j}C_1 + P_{2j}C_2}{P_1C_1 + P_2C_2}$$

Wherein:

C_1 = the composite for which prices vary (personal taxes and savings are included).
C_2 = the composite good for which prices remain constant.
P_i = national price of the i^th^ composite good.
P_{ij} = region j's price of the i^th^ composite.

Through the use of appropriate scaling, application of the fundamental assumptions, and algebraic manipulation, Fuchs, Michael, and Scott derived the following equation:

(2)

$$L_j = \frac{I_j}{C_{2j}}\frac{C_2}{I}$$

I = national personal income.
I_j = region j's personal income.

For the purpose of empirically estimating equation (2), per capita personal income was substituted for I and I_j, and per capita retail sales—excluding sales of food stores, gasoline service stations, and eating and drinking places; building materials; hardware; and farm equipment dealers—was used for C_2 and C_{2j}.[4] The resulting

Table I
Percentage of City to County Retail Sales

Area	1967	1972	1977
Barton			
Great Bend	78.44	81.94	87.32
Cowley			
Arkansas City	49.29	54.38	51.50
Crawford			
Pittsburg	65.66	68.53	74.50
Ellis			
Hays	88.07	88.78	93.16
Finney			
Garden City	92.13	98.11	98.19
Ford			
Dodge City	88.23	94.86	96.93
Leavenworth			
Leavenworth	84.45	86.21	84.09
Lyon			
Emporia	92.84	95.88	96.04
Reno			
Hutchinson	83.39	88.92	88.73
Riley			
Manhattan	91.79	91.12	94.82
Saline			
Salina	96.61	98.26	98.56

SOURCE: *Census of Retail Trade*, 1967, 1972, 1977, Bureau of Census, United States Department of Commerce.

price index provides a basis for measuring the percentage change in regional prices relative to the national percentage change in price level. Therefore, the comparison of a region's relative change in price level to the national CPI makes available an estimation of a regional CPI.

Results

The ensuing price indexes along with the percentage changes in the indexes from 1967 to 1972 and from 1972 to 1977 can be found in Table III. For 1967, the index was arbitrarily set at 100.00 for each city (1967 also was the benchmark year for the national CPI). This designation does not mean that in 1967 all of these regional areas had the same price level. The purpose of this index is to measure the relative *change* in price level between areas, not to measure the relative price level for each area. To this end, Figures II and III show the geographical pattern of price changes as measured by the index.

There are several aspects of the results which lend some credibility to the index; for example, the second time period had a significantly greater rate of price change than the first period. Also, that all of the indexes from the various areas are within 10 percent of each other suggests some consistency. However, only one price index can be compared to the price indexes developed in this article—the Bureau of Labor Statistics' CPI for the Kansas City SMSA. The CPI for the Kansas City SMSA also is arbitrarily set at 100.00 for 1967. By 1972, it had risen to 124.0, and, by 1977, it had risen to 178.3: these figures represent a 24.0 percent change from 1967 to 1972 and a 43.8 percent change from 1972 to 1977. The CPI figures are very close to those developed in this article for the Kansas City SMSA (See Table III), and, more importantly, when compared to the national CPI, both sets of figures move in the same direction. These correlations do not provide conclusive evidence of the viability of the price indexes in this article, but they increase the confidence in these numbers.

Table II
Percentage of Per Capita Retail Sales to Per Capita Personal Income

Area	1967	1972	1977
State of Kansas	50.07	47.23	46.34
Barton Great Bend	56.71	58.41	59.50
Cowley Arkansas City	55.88	46.18	45.42
Crawford Pittsburg	53.04	53.59	47.09
Ellis Hays	63.74	77.68	81.00
Finney Garden City	85.62	64.67	67.85
Ford Dodge City	73.02	65.97	63.08
Leavenworth Leavenworth	34.71	38.12	36.50
Lyon Emporia	63.27	61.35	48.71
Reno Hutchinson	53.55	57.50	55.34
Riley Manhattan	40.08	39.03	42.29
Saline Salina	61.73	68.65	61.01

Sources: *Census of Retail Trade;* Regional Economic Information System, Bureau of Economic Analysis, United States Department of Commerce.

Table III
Regional Price Indexes

Area	1967 Price Index	1972 Price Index	Percentage Change	1977 Price Index	Percentage Change
United States Consumer Price Index	100.00	125.3	25.3	181.5	44.9
State of Kansas	100.00	125.0	25.0	179.3	43.4
SMSAs					
Lawrence	100.00	121.3	21.3	175.4	44.6
Topeka	100.00	123.9	23.9	179.4	44.8
Wichita	100.00	121.6	21.6	175.0	43.9
Kansas City (Mo. and Kans.)	100.00	124.9	24.9	180.1	44.2
Trade Centers					
Barton Great Bend	100.00	124.2	24.2	175.8	41.5
Cowley Arkansas City	100.00	131.2	31.2	187.1	42.6
Crawford Pittsburg	100.00	126.3	26.3	189.4	50.0
Ellis Hays	100.00	118.8	18.8	168.2	41.6
Finney Garden City	100.00	129.5	29.5	183.3	41.5
Ford Dodge City	100.00	125.9	24.9	185.4	48.4
Leavenworth Leavenworth	100.00	121.8	21.8	178.2	46.3
Lyon Emporia	100.00	124.9	24.9	188.9	51.2
Reno Hutchinson	100.00	122.6	22.6	181.0	47.6
Riley Manhattan	100.00	123.4	23.4	173.7	40.8
Saline Salina	100.00	120.9	20.9	182.0	50.5

Figure II Price Index for Kansas SMSAs and Trade Centers: 1972

Above National Average / / / /

Below National Average : : : :

Areas Outlined in Black Are SMSAs

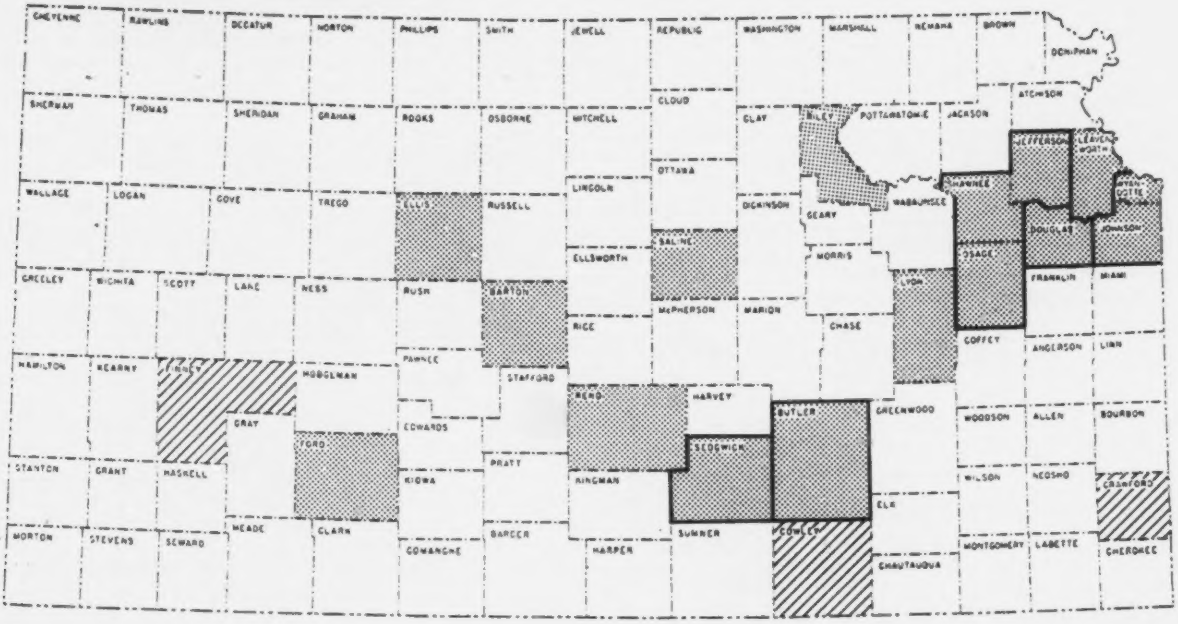
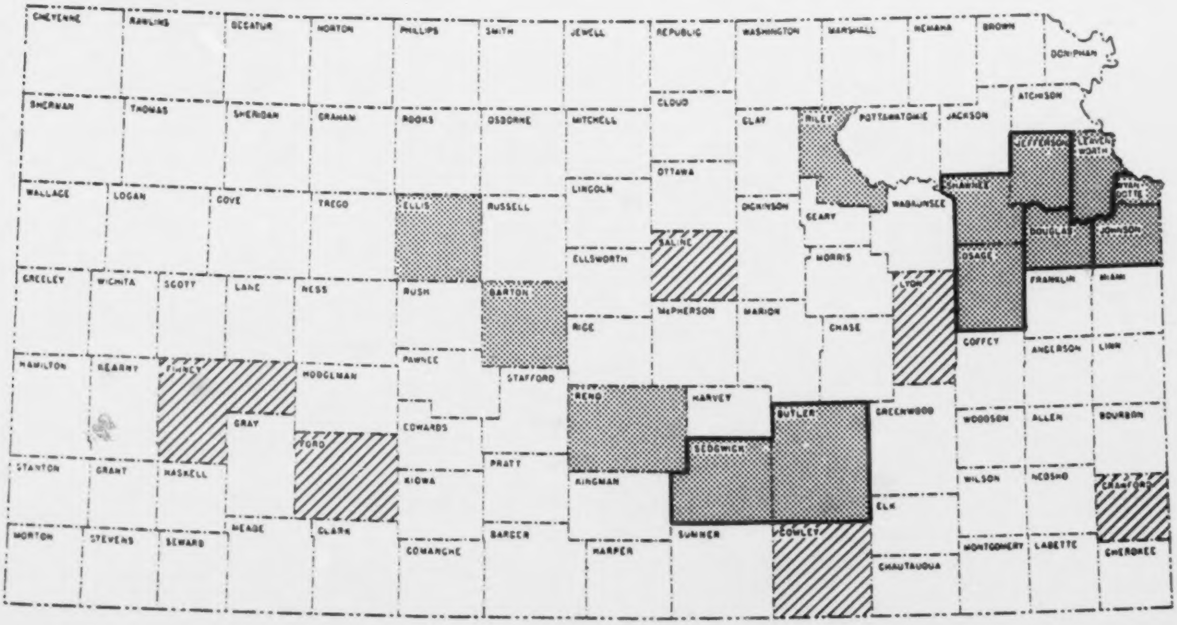

CHEYENNE
RAWLINS
DECATUR
NORTON
PHILLIPS
SMITH
JEWELL
REPUBLIC
WASHINGTON
MARSHALL
NEMAHA
BROWN
DONIPHAN
SHERMAN
THOMAS
SHERIDAN
GRAHAM
ROOKS
OSBORNE
MITCHELL
CLOUD
CLAY
RILEY
POTTAWATOMIE
JACKSON
ATCHISON
JEFFERSON
LEAVEN-WORTH
WALLACE
LOGAN
GOVE
TREGO
ELLIS
RUSSELL
LINCOLN
OTTAWA
DICKINSON
GEARY
WABAUNSEE
SHAWNEE
WYAN-DOTTE
DOUGLAS
JOHNSON
SALINE
ELLSWORTH
MORRIS
OSAGE
FRANKLIN
MIAMI
GREELEY
WICHITA
SCOTT
LANE
NESS
RUSH
BARTON
RICE
McPHERSON
MARION
CHASE
LYON
COFFEY
ANDERSON
LINN
HAMILTON
KEARNY
FINNEY
HODGEMAN
PAWNEE
STAFFORD
RENO
HARVEY
BUTLER
GREENWOOD
WOODSON
ALLEN
BOURBON
GRAY
EDWARDS
FORD
SEDGWICK
STANTON
GRANT
HASKELL
KIOWA
PRATT
KINGMAN
WILSON
NEOSHO
CRAWFORD
ELK
MORTON
STEVENS
SEWARD
MEADE
CLARK
COMANCHE
BARBER
HARPER
SUMNER
COWLEY
CHAUTAUQUA
MONTGOMERY
LABETTE
CHEROKEE

Figure III Price Indexes for Kansas SMSAs and Trade Centers: 1977

Above National Average / / / /

Below National Average : : : :

Areas Outlined in Black are SMSAs


CHEYENNE
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SHAWNEE
WYAN-DOTTE
DOUGLAS
JOHNSON
SALINE
ELLSWORTH
MORRIS
OSAGE
FRANKLIN
MIAMI
GREELEY
WICHITA
SCOTT
LANE
NESS
RUSH
BARTON
RICE
McPHERSON
MARION
CHASE
LYON
COFFEY
ANDERSON
LINN
HAMILTON
KEARNY
FINNEY
HODGEMAN
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CRAWFORD
ELK
MORTON
STEVENS
SEWARD
MEADE
CLARK
COMANCHE
BARBER
HARPER
SUMNER
COWLEY
CHAUTAUQUA
MONTGOMERY
LABETTE
CHEROKEE

One of the more interesting results found in Table III is the difference in the patterns of change for the price indexes of the Kansas City and the Topeka SMSAs and for the price indexes of the Lawrence and the Wichita SMSAs. Most of this difference developed during the first five-year period and results from varying economic conditions. From 1967 to 1977, the Topeka SMSA showed a remarkably steady growth. The Kansas City SMSA had nearly the same record with only two slight downturns, 1971 and 1975. In each case, its economy rebounded strongly. Wichita, on the other hand, suffered a severe recession in 1970-71. Although it rebounded strongly in 1972, its level of nonagricultural employment was below the 1967 level. Since 1972, the Wichita economy has had steady economic growth. The Lawrence SMSA experienced unusual growth in the late sixties and early seventies due to increased University enrollment. Unfortunately, this type of growth does not tend to significantly increase an area's personal income because of the relatively low income of students. Since the early seventies, Lawrence has expanded its industrial base and, in general, has had a good growth record. Thus, the steady growth rates of the Kansas City and Topeka SMSAs from 1967-72 imply a steady increase in demand that kept prices higher, whereas the Wichita and Lawrence SMSAs did not experience this steady growth and experienced less upward pressure on prices during the earlier period.

A second result found in Table III and illuminated in Figures II and III is the geographic pattern of the differences in the inflation rate throughout the State of Kansas. Most obvious is the fact that all of the SMSAs had rates of inflation lower than the national average for each of the five-year periods. As for the eleven trade centers, in 1972, there were only three (Garden City, Arkansas City, and Pittsburg) with price indexes higher than the national average. As Figure II demonstrates, these were trade centers some distance from large urban areas. By 1977, the number of trade centers with price indexes higher than the national average had risen to six with the addition of Dodge City, Salina, and Emporia (See Figure III). Two changes in the economic environment appear to explain the increase in the number of areas with above-average inflation and their location. Since 1972, the Kansas economy has been growing at a rate faster than the national growth rate: In 1972, per capita personal income in Kansas was 0.5 percent above the national average, while in 1977 it was 1.6 percent above the national average. The greater growth rate means additional pressure on demand which, in ordinary circumstances, means higher prices. In addition to this general pressure on prices in Kansas, there was a dramatic increase in energy prices in 1973-74 that carried through the entire period. The higher energy prices raised the price of transportation more than the general price level. Thus, in areas where shipping costs were a larger share of the cost of an item, the effect of the higher transportation costs was felt. This phenomenon, in part, explains the geographic pattern of differing price changes in Kansas.

Applications

The price indexes developed in this paper can serve many purposes. One possible use is the analysis of the changing purchasing power of wages in various areas in Kansas. The Bureau of Labor Statistics publishes *Area Wages Surveys* for the Kansas City and Wichita SMSAs on an annual basis. Within these surveys are wage indexes for several occupational groups—the most general and continuously available are for the categories of "All Industries" and "Manufacturing" labor. Table IV has these wage indexes for the years 1972 and 1977 (1967 is again used as a benchmark) in current dollars and, by using the price indexes, in 1967 dollars as an adjustment for inflation. Several conclusions can be drawn from the data: (1) even though Kansas City had a higher rate of inflation, real wages (wages adjusted for inflation) rose faster in Kan-

Table IV
Kansas City and Wichita Wage Levels

	Kansas City SMSA					Wichita SMSA				
Occupational Category	**Dec. 1967 Index**	**Sept. 1972 Index 1972 Dollars**	**1967 Dollars**	**Sept. 1977 Index 1977 Dollars**	**1967 Dollars**	**Dec. 1967 Index**	**April 1972 Index 1972 Dollars**	**1967 Dollars**	**April 1977 Index 1977 Dollars**	**1967 Dollars**
All Industries										
Office Clerical	100.0	131.1	105.0	188.9	104.9	100.0	121.8	100.2	173.8	99.3
Industrial Nurses	100.0	414.3	113.1	213.2	118.4	100.0	126.9	104.4	182.7	104.4
Skilled Maintenance Trades	100.0	142.3	113.9	217.2	120.6	100.0	125.6	103.3	188.3	107.6
Unskilled Plant Workers	100.0	143.8	115.1	202.2	112.3	100.0	125.0	102.8	180.9	103.4
Manufacturing										
Office Clerical	100.0	128.0	102.5	184.4	102.4	100.0	120.0	98.7	172.1	98.3
Industrial Nurses	100.0	144.5	115.7	219.5	121.9	100.0	126.4	103.9	181.5	103.7
Skilled Maintenance Trades	100.0	136.1	109.0	209.6	116.4	100.0	122.6	100.8	180.7	103.3
Unskilled Plant Workers	100.0	136.3	109.1	211.2	117.3	100.0	129.8	106.7	180.6	103.2

SOURCE: *Wage Area Survey*, Kansas City and Wichita, 1967, 1972, 1977, Bureau of Labor Statistics, United States Department of Labor sas City than in Wichita for the 1967-1972 period; and (2) from 1972 to 1977, real wages again rose more, but at a declining rate, in Kansas City than in Wichita. Because the Wichita economy was depressed in the early 1970s and the Kansas City economy was not, the first conclusion appears valid; and, because both economies grew at about the same pace from 1972 to 1977, the second conclusion appears to be confirmed as well. One other conclusion concerns the various occupational groups: between cities, there seems to be little difference in the relative wage position of the various occupational groups.

A second possible use of these price indexes is the analysis of the changes in urban residential property value. By using the *Kansas Assessment Sales Ratio Study* and the *Statistical Report of Property Assessment and Taxation,*[5] an estimate of the increase in urban residential property value can be obtained for the counties within the areas covered by the various price indexes developed in this study. The first column for each year in Table V contains the increases in property value unadjusted for inflation, and the second column contains the increase in property value adjusted for inflation using the price indexes. (Because some counties reassessed their property value after 1967, a consistent percentage increase from 1967 to 1972 is not available for all counties.) The adjustment for inflation certainly alters the picture of changing urban residential property values that is presented by the unadjusted data. In terms of constant dollars, urban residential property values in six of the eight counties where the data is available showed declining rather than rising values for the 1967 to 1972 period. The situation improved from 1972 to 1977 for the owners of urban residential property but was not as great an improvement as the unadjusted percentage changes indicate.

Another use of the price indexes is the analysis of the changing costs of government. The data in Table VI indicate the extent to which city budgets have had to expand to keep up with inflation. For example, general fund expenditures in Great Bend have increased 95.56 percent from 1967 to 1977; however, if inflation is taken into account (if the 1977 expenditures are expressed in terms of 1967 dollars), the percentage change from 1967 to 1977 is only 11.24 percent. Table VI provides this type of data for sixteen cities in Kansas.

Table V
Changes in Residential Property Value Adjusted for Inflation

Area	Percentage Change in Urban Residential Property Values 1967-1972		Percentage Change in Urban Residential Property Values 1972-1977		Percentage Change in Urban Residential Property Values 1967-1977	
	Actual	Deflated	Actual	Deflated	Actual	Deflated
SMSAs						
Lawrence SMSA						
Douglas	14.3	– 7.0	50.0	5.4	71.4	– 4.0
Topeka SMSA						
Shawnee	—	—	81.8	37.0	—	—
Osage	—	—	53.4	8.6	—	—
Jefferson	—	—	—	—	—	—
Wichita SMSA						
Sedgwick	13.0	– 8.6	64.3	20.4	85.7	10.7
Butler	—	—	100.0	56.1	—	—
Kansas City SMSA (Kansas Portion)						
Johnson	—	—	63.6	19.4	—	—
Wyandotte	—	—	28.6	– 15.6	—	—
Other Areas						
Barton						
Great Bend	16.7	– 7.5	140.0	98.5	180.0	104.2
Cowley						
Arkansas City	21.7	– 9.5	77.9	35.3	115.4	28.3
Crawford						
Pittsburg	—	—	70.0	20.0	—	—
Ellis						
Hays	—	—	77.8	36.2	—	—
Finney						
Garden City	—	—	64.3	22.8	—	—
Ford						
Dodge City	14.3	– 10.6	75.0	26.6	100.0	14.6
Leavenworth						
Leavenworth	19.1	– 2.7	61.5	15.2	92.3	14.1
Lyon						
Emporia	—	—	76.9	25.7	—	—
Reno						
Hutchinson	—	—	91.7	44.1	—	—
Riley						
Manhattan	36.8	13.4	26.7	14.1	73.3	– 0.4
Saline						
Salina	—	—	63.6	13.1	—	—

SOURCES: *Statistical Report of Property Assessment and Taxation* and *Kansas Assessment Sales Ratio Study*, 1967, 1972, 1977, Division of Property Valuation, Kansas Department of Revenue.

Table VI
General Fund Receipts and Expenditures for 1967 and 1977 in Unadjusted and Constant Dollars

	1967	1977		Percentage Change	
		1977 Dollars	1967 Dollars	1977 Dollars	1967 Dollars
Lawrence					
Receipts	1,511,169	4,177,601	2,381,757	176.45	57.61
Expenditures	1,154,729	4,118,072	2,347,818	256.63	103.32
Topeka					
Receipts	4,516,059	12,369,808	6,895,099	173.91	52.68
Expenditures	4,341,328	12,275,857	6,842,730	182.77	57.62
Wichita					
Receipts	12,195,680	22,949,062	13,113,750	88.17	7.53
Expenditures	11,056,035	22,445,524	12,826,014	103.02	16.01
Kansas City, Kansas					
Receipts	1,848,984	4,637,275	2,574,833	150.80	39.26
Expenditures	1,446,908	4,442,487	2,466,678	207.03	70.48
Overland Park					
Receipts	1,385,212	8,137,945	4,518,570	487.49	226.20
Expenditures	1,185,541	7,241,413	4,020,773	510.81	239.15
Great Bend					
Receipts	731,557	1,508,794	858,245	106.24	17.32
Expenditures	686,670	1,342,852	763,852	95.56	11.24
Arkansas City					
Receipts	684,245	1,412,198	754,782	106.39	10.31
Expenditures	645,816	1,323,512	707,382	104.94	9.53
Pittsburg					
Receipts	855,594	1,523,603	804,437	78.08	– 5.98
Expenditures	806,967	1,495,445	789,570	85.32	– 2.16
Hays					
Receipts	396,856	996,916	592,687	151.20	49.35
Expenditures	393,573	939,277	558,429	138.65	41.89
Garden City					
Receipts	618,252	1,233,189	672,771	99.46	8.82
Expenditures	577,835	1,129,618	616,267	95.49	6.65
Dodge City					
Receipts	533,320	1,672,688	902,205	213.64	69.17
Expenditures	523,926	1,586,509	855,722	202.81	63.33
Leavenworth					
Receipts	999,796	2,372,296	1,331,255	137.28	33.15
Expenditures	968,666	2,294,391	1,287,537	136.86	32.92
Emporia					
Receipts	1,036,912	2,700,896	1,429,802	160.47	37.89
Expenditures	985,258	2,859,161	1,513,584	190.19	53.62
Hutchinson					
Receipts	1,809,500	4,365,678	2,411,977	141.26	33.30
Expenditures	1,754,001	4,546,370	2,511,807	159.20	43.20
Manhattan					
Receipts	1,120,881	2,174,156	1,251,673	93.97	11.67
Expenditures	919,712	2,116,657	1,218,571	130.14	32.49
Salina					
Receipts	1,753,528	3,485,279	1,914,988	98.76	9.21
Expenditures	1,726,263	3,433,778	1,806,691	98.91	9.29

Conclusion

The data developed in this article is essentially descriptive in nature and purpose. It reveals certain facts and aspects of the influence of inflation in Kansas. In no way does this article reveal the mechanisms which cause inflation, and there has been no attempt to suggest ways of limiting inflation. Inflation is a national problem with manifestations in Kansas; it is not a Kansas problem, but it is a problem to Kansans. And it is to this last definition of the problem that this article has addressed itself. Specifically, this article has provided a measure of the various rates of inflation in the SMSAs and major trade centers in Kansas through the development of price indexes.

It should be noted that there is little evidence that can be used to absolutely evaluate the price indexes generated in this article; however, the evidence that does exist corroborates the results, and, as well, the results have an intuitive appeal.

The price indexes have a variety of possible applications. In this article, three applications are sketched: the measurement of the influence of inflation on wages, on housing values, and on the cost of local government. In conclusion, if the first step in coping with an economic problem is determining its magnitude, then this article represents a small step in helping Kansans adjust to inflation.

Footnotes

[1] Two counties—Crawford and Lyon Counties—had a large drop in their percentage of per capita retail sales to per capita personal income from 1972 to 1977. This phenomenon does not seem to reflect an accurate picture of the retail sales situation in these counties. Other sources—for example, retail sales tax figures—indicate that the growth in retail sales is continuing at about the same rate as the growth in personal income.

[2] *National Bureau of Economic Research Working Paper Series*, No. 320, February 1979.

[3] *Ibid.*, p. 1.

[4] *Census of Retail Trade*, 1967, 1972, and 1977, Bureau of the Census, United States Department of Commerce; and the Regional Economics Information System, Bureau of Economic Analysis, United States Department of Commerce.

[5] Division of Property Valuation, Kansas Department of Revenue, 1967, 1972, 1977. Assessed values are adjusted by the assessment ratios to produce estimates of current property values.

Kansas in August

General Business

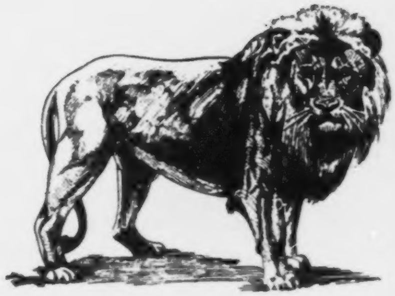
There is no doubt that the 1970s will go down in economic history as a hazardous period for economic forecasters. The long expected recession—some forecasters have been predicting a recession since 1977—has been forestalled for yet another quarter. (However, the Federal Reserve seems determined to take the uncertainty out of predicting a recession with its latest policy changes.) Although the United States experienced a significant drop in GNP during the second quarter of 1979, the initial report of third-quarter GNP showed a growth, on an annual basis, of 2.4 percent from the second quarter. When the second and third quarters are combined, the result is no appreciable growth in GNP from the first through the third quarter of 1979. This situation is not a recession, but, given the continuing high rate of inflation, it qualifies as a classic example of stagflation.

The Kansas economy continues to show more strength than the national economy. Retail sales for July grew substantially, the unemployment rate dropped in August below 3.0 percent, and initial claims for unemployment dropped 45.9 percent after surging in July. If initial claims for unemployment are averaged for June, July, and August and then compared to the same period a year previous, the summer of 1979 had only a 6.95 percent increase in initial claims for unemployment over the previous summer. The average weekly earnings increase in August was 1.1 percent over the July figure. However, since last March, Kansas average weekly earnings have increased only 0.4 percent, well below the inflation rate. During the last six months, Kansas wage earners have faced significant declines in their real wages. (See Table I.)

Employment

A review of the data provided by the Research and Analysis Section of the Kansas Department of Human Resources discloses that the employment situation in Kansas continues to look bright. Nonfarm wage and salary employment by place of work dropped only 0.1 percent from July to August, and that drop was far less than the usual decline in employment experienced during the late summer. An indication of how good the Kansas employment situation remained in August is the fact that employment was 3.7 percent above the August 1978 figure while, through most of 1979, employment had been running about 3.0 percent above the same month a year previous. A second indication of the strength of the Kansas employment situation is the drop in the statewide unemployment rate from 3.2 percent in July to 2.8 percent in August. The August unemployment rate was 0.3 percent below the unemployment rate for August of the prior year. (See Table III.)

Among the categories of employment, three deserve special mention. Although employment in apparel manufacturing grew from July to August by 2.9 percent, employment in this industry remained 5.3 below the level of employment in August 1978. Throughout 1979, employment in apparel manufacturing has generally been running below the level of employment for the same month a year ago. Contract construction employment grew 1.6 percent from July to August, and it continued to run substantially above 1978 employment figures for the same month—August 1979 was 11.1 percent above August 1978. This phenomenon is surprising because of the weakness of the housing market. Finally, employment in the aircraft and aircraft parts industry grew again in August, and, in August 1979, there were 18.7 percent more people employed in this industry than in August 1978. As pointed out before, one of the chief beneficiaries of the phenomenal growth in employment in this industry has been the city of Wichita. (See Table II.)



Regional Employment

The regional employment figures reported by the Kansas Department of Human Resources generally followed the pattern of the statewide employment figures: a decline in the size of the civilian labor force, a smaller percentage decline in the number of employed persons, and a drop in the unemployment rate. The exceptions were the Lawrence SMSA and the Kansas portion of the Kansas City SMSA—both experienced growth in the size of the civilian labor force and a larger percentage increase in the number of employed persons—and the Emporia area, which experienced an increase in its unemployment rate. (See Table III.)

Retail Sales (for July)

The monthly average for total retail sales based on the retail sales tax for the quarter ending in July was up 8.9 percent over the monthly average for the preceding three-month period. Although 8.9 percent is a significant increase in retail sales, this 8.9 percent—due to the exemption of residential housing from the retail sales tax on public utilities which began July 1, 1979—underestimates the increase in retail sales during the last quarter. If the estimate for public utility sales is ignored, then retail sales during this same period rose 11.3 percent—more than three times the inflation rate.

Nine of the 13 major categories of retail sales showed a growth in retail sales over this same period of time. However, these three-month averages are not necessarily representative of the current situation. If the averages for the past two months are compared to the averages for the previous two months (if the averages of July and June are compared to the averages for April and May), then a different retail sales picture emerges: apparel sales are up 7.9 percent instead of being down 8.5 percent, automobile sales are up only 5.3 percent instead of 29.3 percent, food sales are up 2.8 percent instead of being down 0.4 percent, furniture sales are down 3.2 percent instead of being up 4.9 percent, and general merchandise sales are up 9.4 percent instead of being down 9.6 percent. After slumping in the spring, retail sales surged at the beginning of the summer. (See Table IV.)

County Retail Sales (for July)

The surge in retail sales is certainly reflected in the county retail sales figures. For the three-month period ending with July 1979, only one of the 105 counties in Kansas—Sherman County—experienced a decline in retail sales compared to the previous quarter. However, a different picture emerges if the quarter ending July 1979 is compared to the quarter ending July 1978. Only 26 counties experienced a double-digit growth in retail sales over this period—approximately the minimum amount of growth necessary to compensate for inflation. The two counties with the largest retail sales—Johnson and Sedgwick Counties—were among these 26 counties. There were 22 counties which experienced a decline in retail sales during this period with ten of those counties located in the western portion of Kansas. (See Table V.)

Farm Prices

The prices Kansas farmers received for field crops all declined from July to August, but the August 1979 prices were still substantially above the August 1978 prices received by Kansas farmers. Corn prices showed the largest decline over the month with sorghum and wheat following close behind. The changes in livestock prices were more mixed. Beef cattle, calves, hogs, and lambs prices all fell from July to August while sheep and milk prices rose slightly during the same period. Only hog prices are below last year's August price, and hog prices have been down all year.

The declining crop prices faced by Kansas farmers are reflected in a decline in several of the feed prices paid by Kansas farmers. Soybean meal, bran, and laying feed all declined from July to August although the August prices were still substantially above the August 1978 prices. Beef concentrate continued its climb in price while the prices of dairy feed and hog concentrate remained unchanged. Except for soybean meal, all feed prices have had double-digit increases in their price level since last August. (See Table VI.)

Financial Activity

The banking data for Kansas and the regional banking centers do not show the full effects of the late summer and early fall attempt on the part of the Federal Reserve to tighten money. Loans statewide rose 1.2 percent from July to August and only failed to rise in one banking center, Kansas City, Kansas. During the same period, demand deposits fell statewide and in each banking center, while time and savings deposits fell only for Kansas City, Kansas banks.

A comparison of August 1979 with August 1978 Kansas banking data indicates that the trends noted before continue to manifest themselves. In all banking centers and statewide, time and savings deposits have grown much more rapidly than demand deposits. Loans statewide are up 8.0 percent from a year ago, and only Kansas City, Kansas banks had a decline in loans. In the near future, due to the change in Federal Reserve policy, these trends should change. (See Table VII.)

The August data for savings and loan institutions reveals once again the effects of a declining housing market and Federal Reserve policy. Since January 1979, savings and loan institutions have experienced a sharp descent in activity. Although mortgage loans made increased slightly in August 1979, net new savings dropped 64.9 percent from July to August and were 80.6 percent below August 1978. The Federal Reserve's policy which pushed interest rates to record highs and placed more uncertainty in the financial markets has had a notably adverse effect on these institutions. (See Table VIII.)

Consumer Prices

Consumer prices for August in the Kansas City area increased 2.3 percent over prices in June and were 15.6 percent higher than prices in August 1978. Both of these increases are greater than the increases for the nation as a whole. Nationally, in August prices rose 1.0 percent from June prices and were 11.8 percent above prices a year ago. All the major consumption categories except personal care registered price increases for the two-month period ending in August. Personal care prices decreased 0.9 percent. Apparel and upkeep and housing prices increased the most (up 4.0 percent and 3.0 percent, respectively), with the increases in the other categories ranging down to a 0.6 percent increase in the price for food and beverages.

Over the year, housing and transportation prices increased almost 20 percent (19.5 percent), and medical care prices followed close behind with an annual increase of 12.2 percent. Prices in these same categories nationally rose only 2/3, 4/5, and 3/4 as much as the prices in the Kansas City area. Entertainment prices increased the least with a 4.4 percent rise. (See Table IX.)

TABLE I
GENERAL BUSINESS INDICATORS

	Aug. 1979	July 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1978
Manufacturing					
Average Work Week (hrs.)	40.80	40.90	– 0.20	40.60	40.70
Average Weekly Earnings (dollars)	272.95	269.94	1.10	269.87	240.99
Initial Claims for					
Unemployment Insurance	6,829.00	12,631.00	– 45.90	8,071.00	8,082.00
New Incorporations					
In-State for Profit	411.00	381.00	7.90	375.00	336.00
Out-of-State	93.00	102.00	– 8.80	91.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Aug. 1979	July 1979	% change	Aug. 1978	% change
All Industries	944.3	944.4	– 0.0	910.4	3.7
Manufacturing	197.5	197.8	– 0.2	186.2	6.1
Durable Goods	128.8	128.6	0.2	119.2	8.1
Stone, Clay, Glass	10.3	10.3	0.0	9.7	6.2
Primary Metals	4.0	4.0	0.0	3.8	5.3
Fabricated Metal Products	13.7	14.0	– 2.1	13.7	0.0
Machinery (incl. elec.)	34.2	34.6	– 1.2	32.2	6.2
Transportation Equipment	53.1	52.1	1.9	46.6	13.9
Aircraft & Parts	46.4	46.0	0.9	39.1	18.7
Other Durable Goods	13.5	13.6	– 0.7	13.2	2.3
Nondurable Goods	69.1	69.2	– 0.1	67.0	3.1
Food & Kindred Products	24.3	24.0	1.2	23.1	5.2
Meat Products	9.2	8.8	4.5	8.5	8.2
Apparel	3.6	3.5	2.9	3.8	– 5.3
Printing & Publishing	16.6	17.0	– 2.4	15.4	7.8
Chemicals	8.5	8.4	1.2	8.4	1.2
Petroleum & Coal	4.8	4.8	0.0	4.7	2.1
Other Nondurable	11.3	11.5	– 1.7	11.6	– 2.6
Mining	13.6	13.4	1.5	12.9	5.4
Oil & Gas Extraction	11.2	10.9	2.8	10.7	4.7
Contract Construction	57.2	56.3	1.6	51.5	11.1
Trans., Comm., Elec., Gas	67.3	67.6	– 0.4	63.8	5.5
Wholesale Trade	62.5	63.5	– 1.6	61.7	1.3
Retail Trade	162.0	161.6	0.2	160.4	1.0
Finance, Insurance, Real Estate	47.7	47.8	– 0.2	46.1	3.5
Services	166.7	165.8	0.5	159.0	4.8
Federal Government	25.6	25.9	– 1.2	25.9	– 1.2
State & Local Government	143.4	144.7	– 0.9	142.9	0.3

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Aug. 1979	July 1979	% change	Aug. 1978	% change
Kansas—Statewide					
Civilian Labor Force	1,218,800	1,235,700	– 1.4	1,183,600	3.0
Employed	1,184,400	1,195,700	– 0.9	1,147,200	3.2
Farm	76,500	82,200	– 6.9	77,600	– 1.4
Non-Farm	1,107,900	1,113,500	– 0.5	1,069,600	3.6
Unemployed	34,000	40,000	– 15.0	36,400	– 6.6
Rate	2.8%	3.2%		3.1%	
Lawrence SMSA					
Civilian Labor Force	32,800	32,200	1.9	30,800	6.5
Employed	31,800	31,000	2.6	29,700	7.1
Farm	1,000	1,000	0.0	1,000	0.0
Non-Farm	30,800	30,000	2.7	28,200	9.2
Unemployed	1,000	1,200	– 16.7	1,100	– 9.1
Rate	3.0%	3.7%		3.6%	
Kansas portion of Kansas City SMSA					
Civilian Labor Force	266,100	265,500	0.2	254,700	4.5
Employed	256,400	255,500	0.4	243,800	5.2
Farm	1,700	1,800	– 5.6	1,700	0.0
Non-Farm	254,700	253,700	0.4	242,100	5.2
Unemployed	9,700	10,000	– 3.0	10,900	– 11.0
Rate	3.6%	3.8%		4.3%	
Topeka SMSA					
Civilian Labor Force	94,600	95,600	– 1.0	93,500	1.2
Employed	91,500	92,200	– 0.8	90,100	1.6
Farm	2,200	2,400	– 8.3	2,300	– 4.3
Non-Farm	89,300	89,800	– 0.6	87,800	1.7
Unemployed	3,100	3,400	– 8.8	3,400	– 8.8
Rate	3.3%	3.6%		3.6%	
Wichita SMSA					
Civilian Labor Force	224,900	226,200	– 0.6	212,500	5.8
Employed	219,000	219,800	– 0.4	205,600	6.5
Farm	3,100	3,300	– 6.1	3,200	– 3.1
Non-Farm	215,900	216,500	– 0.3	202,400	6.7
Unemployed	5,900	6,400	– 7.8	6,900	– 14.5
Rate	2.6%	2.8%		3.2%	
Barton Co.—Great Bend Area					
Data Not Available					

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Aug. 1979	July 1979	% change	Aug. 1978	% change
Crawford Co.—Pittsburg Area					
Data Not Available					
Lyon Co.—Emporia Area					
Civilian Labor Force	17,275	17,450	– 1.0	16,800	2.8
Employed	16,875	17,075	– 1.2	16,375	3.1
Farm	1,000	1,075	– 7.0	1,025	– 2.4
Non-Farm	15,875	16,000	– 0.8	15,350	3.4
Unemployed	400	375	6.7	425	– 5.9
Rate	2.3%	2.1%		2.5%	
Montgomery Co.—Coffeyville Area					
Data Not Available					
Reno Co.—Hutchinson Area					
Data Not Available					
Riley Co.—Manhattan Area					
Civilian Labor Force	19,800	20,575	– 3.8	19,150	3.4
Employed	19,250	19,950	– 3.5	18,475	4.2
Farm	1,275	1,375	– 7.3	1,300	– 1.9
Non-Farm	17,925	18,575	– 3.5	17,175	4.4
Unemployed	550	625	– 12.0	675	– 18.5
Rate	2.8%	3.0%		3.5%	
Saline Co.—Salina Area					
Data Not Available					

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	July * 1979	Apr. * 1979	% change	Avg. 1978	% change
Apparel	25.1	27.4	– 8.5	24.6	1.9
Automotive	214.9	166.2	29.3	180.6	19.0
Food	211.8	212.6	– 0.4	200.4	5.6
Furniture	39.5	37.7	4.9	37.1	6.7
General Merchandise	130.8	144.8	– 9.6	128.4	1.9
Lumber and Building Materials	85.9	66.3	29.6	77.2	11.3
Professional and Personal Service	37.1	30.7	20.9	32.5	14.3
Public Utilities	98.0	108.0	– 9.3	88.7	10.5
Unclassified	96.9	82.9	16.8	84.5	14.6
Farm and Garden Products	1.0	0.8	29.4	0.7	46.7
Manufacture and Trading	72.0	52.7	36.6	58.5	22.9
Miscellaneous	1.9	1.4	36.0	2.2	– 15.4
Total	1014.8	931.4	8.9	915.4	10.9

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * July 1979	Sales * Apr. 1979	Change From Apr. 1979 (%)	Sales * July 1978	Change From July 1978 (%)
Allen	5,307	4,081	30.0	4,850	9.4
Anderson	2,365	2,057	15.0	2,343	1.0
Atchison	4,733	4,279	10.6	4,446	6.5
Barber	2,256	1,977	14.1	2,133	5.8
Barton	21,388	18,008	18.8	20,261	5.6
Bourbon	5,472	4,603	18.9	4,999	9.5
Brown	3,396	3,014	12.7	3,469	– 2.1
Butler	12,784	11,630	9.9	12,111	5.6
Chase	768	554	38.5	668	14.9
Chautauqua	1,071	833	28.6	944	13.4
Cherokee	4,143	3,738	10.8	3,876	6.9
Cheyenne	1,253	1,045	19.8	1,171	7.0
Clark	583	521	11.9	533	9.5
Clay	3,121	2,947	5.9	2,968	5.1
Cloud	4,318	3,974	8.7	4,341	– 0.5
Coffey	2,234	1,729	29.2	2,161	3.4
Comanche	629	468	34.2	543	15.9
Cowley	12,490	11,021	13.3	11,554	8.1
Crawford	12,086	10,376	16.5	10,442	15.7
Decatur	1,586	1,377	15.1	1,441	10.0
Dickinson	5,807	5,020	15.7	5,158	12.6
Doniphan	1,874	1,483	26.3	1,741	7.6
Douglas	21,385	20,159	6.1	20,647	3.6
Edwards	999	896	11.5	991	0.9
Elk	699	573	21.9	653	6.9
Ellis	12,254	10,873	12.7	11,685	4.9
Ellsworth	1,789	1,591	12.4	1,601	11.7
Finney	14,150	13,309	6.3	13,326	6.2
Ford	12,951	12,626	2.6	12,349	4.9
Franklin	6,680	5,787	15.4	6,142	8.8
Geary	8,657	7,512	15.2	8,226	5.2
Gove	1,279	1,158	10.4	1,287	– 0.6
Graham	1,606	1,344	19.5	1,412	13.7
Grant	3,311	2,785	18.9	3,293	0.6
Gray	1,713	1,489	15.0	1,666	2.8
Greeley	672	412	63.1	628	7.0
Greenwood	2,499	2,166	15.3	2,211	13.0
Hamilton	885	620	42.8	709	24.8
Harper	2,742	2,243	22.2	2,718	0.8
Harvey	8,529	8,276	3.1	8,166	4.5
Haskell	1,083	775	39.7	1,186	– 8.7
Hodgeman	435	328	32.4	394	10.2
Jackson	2,365	2,182	8.4	2,333	1.4
Jefferson	2,761	1,911	44.5	2,421	14.1
Jewell	976	854	14.3	807	21.0
Johnson	115,627	100,767	14.7	104,983	10.1
Kearny	759	579	31.0	647	17.3
Kingman	2,292	2,012	13.9	2,208	3.8
Kiowa	1,176	1,026	14.5	1,107	6.2
Labette	7,727	6,753	14.4	7,393	4.5
Lane	733	654	12.1	773	– 5.2
Leavenworth	11,677	10,217	14.3	11,132	4.9
Lincoln	1,096	860	27.5	1,004	9.2

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * July 1979	Sales * Apr. 1979	Change From Apr. 1979 (%)	Sales * July 1978	Change From July 1978 (%)
Linn	1,935	1,397	38.5	1,491	29.8
Logan	1,668	1,433	16.4	1,609	3.7
Lyon	12,454	11,211	11.1	11,366	9.6
McPherson	9,583	8,531	12.3	8,680	10.4
Marion	3,652	2,924	24.9	3,715	– 1.7
Marshall	4,250	3,205	32.6	3,577	18.8
Meade	1,304	1,169	11.5	1,226	6.4
Miami	5,177	4,690	10.4	5,025	3.0
Mitchell	3,616	3,093	16.9	3,304	9.4
Montgomery	15,164	12,600	20.3	13,770	10.1
Morris	1,413	1,129	25.2	1,437	– 1.6
Morton	1,137	993	14.5	1,059	7.4
Nemaha	3,057	2,728	12.1	3,134	– 2.5
Neosho	7,132	6,218	14.7	7,135	– 0.1
Ness	1,459	1,394	4.7	1,443	1.1
Norton	2,163	1,828	18.3	1,993	8.6
Osage	3,205	2,612	22.7	3,231	– 0.8
Osborne	1,810	1,497	20.9	1,685	7.4
Ottawa	1,279	957	33.6	1,155	10.7
Pawnee	3,029	2,636	14.9	3,114	– 2.7
Phillips	2,558	2,105	21.5	2,353	8.7
Pottawatomie	4,172	3,194	30.6	4,116	1.4
Pratt	4,572	4,240	7.8	4,562	0.2
Rawlins	962	883	9.0	997	– 3.5
Reno	26,646	24,129	10.4	26,907	– 1.0
Republic	2,392	1,940	23.3	2,109	13.4
Rice	3,209	2,826	13.5	3,154	1.7
Riley	14,373	13,822	4.0	14,810	– 3.0
Rooks	3,111	2,716	14.6	2,973	4.7
Rush	1,278	997	28.1	1,251	2.1
Russell	4,901	3,597	36.3	4,353	12.6
Saline	25,677	22,890	12.2	24,052	6.8
Scott	2,602	2,214	17.5	2,799	– 7.1
Sedgwick	179,660	158,248	13.5	162,843	10.3
Seward	11,430	10,234	11.7	10,852	5.3
Shawnee	69,423	61,580	12.7	66,422	4.5
Sheridan	1,399	966	44.8	1,416	– 1.2
Sherman	2,581	3,300	– 21.8	3,551	– 27.3
Smith	1,831	1,416	29.3	1,767	3.6
Stafford	1,526	1,510	1.0	1,551	– 1.6
Stanton	662	541	22.3	709	– 6.7
Stevens	1,426	1,423	0.2	1,535	– 7.1
Sumner	5,795	5,155	12.4	5,797	– 0.0
Thomas	4,418	3,631	21.7	3,911	13.0
Trego	1,355	1,253	8.1	1,336	1.4
Wabaunsee	1,084	956	13.4	937	15.7
Wallace	664	542	22.5	660	0.7
Washington	2,085	1,853	12.5	1,851	12.6
Wichita	882	860	2.6	935	– 5.7
Wilson	2,732	2,440	11.9	2,666	2.5
Woodson	919	872	5.5	959	– 4.1
Wyandotte	61,266	51,814	18.2	55,839	9.7

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Aug. 1979	July 1979	% change	Aug. 1978	% change	Annual Avg. 1978
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.67	3.85	– 4.7	2.74	33.9	2.72
Corn (bu.)	2.60	2.79	– 6.8	2.17	19.8	2.21
Sorghum (cwt.)	4.06	4.28	– 5.1	3.29	23.4	3.29
Hay (ton)	48.00	49.50	– 3.0	37.00	29.7	40.88
Soybeans (bu.)	7.05	7.30	– 3.4	6.17	14.3	6.17
Livestock & Products						
Beef Cattle (cwt.)	61.80	67.50	– 8.4	54.10	14.2	50.72
Calves (cwt.)	81.50	84.50	– 3.6	61.20	33.2	58.78
Hogs (cwt.)	36.30	38.60	– 6.0	47.40	– 23.4	47.66
Lambs (cwt.)	58.80	62.50	– 5.9	56.20	4.6	59.47
Sheep (cwt.)	17.00	16.90	0.6	15.80	7.6	13.33
Milk (cwt.)	12.30	11.90	3.4	10.50	17.1	10.73
Prices Paid by Farmers						
Soybean Meal (cwt.)	13.00	13.50	– 3.7	12.00	8.3	10.92
Bran (cwt.)	7.30	7.40	– 1.4	5.70	28.1	6.27
Beef Conc. (cwt.)	9.80	9.50	3.2	8.50	15.3	8.58
16% Dairy Feed (ton)	158.00	158.00	0.0	136.00	16.2	138.17
Hog Conc. (cwt.)	14.00	14.00	0.0	12.00	16.7	12.31
Laying Feed (ton)	185.00	187.00	– 1.1	158.00	17.1	160.08

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Aug. 1979	July 1979	% change	Aug. 1978	% change
Kansas—Statewide					
Loans	7,851	7,757	1.2	7,269	8.0
Demand Deposits	3,808	4,017	– 5.2	3,677	3.6
Time & Saving Deposits	8,026	7,847	2.3	7,136	12.5
Loan-to-Deposit Ratio	66.3%	65.4%		67.2%	
Kansas City (Wyandotte)					
Loans	493	475	3.8	512	– 3.7
Demand Deposits	222	238	– 6.7	236	– 5.9
Time & Saving Deposits	527	543	– 2.9	485	8.7
Loan-to-Deposit Ratio	65.8%	60.8%		71.0%	
Topeka (Shawnee)					
Loans	519	522	– 0.6	450	15.3
Demand Deposits	270	283	– 4.6	268	0.7
Time & Saving Deposits	594	508	16.9	494	20.2
Loan-to-Deposit Ratio	60.1%	66.0%		59.1%	
Wichita (Sedgwick)					
Loans	1,234	1,227	0.6	1,154	6.9
Demand Deposits	707	752	– 6.0	658	7.4
Time & Saving Deposits	1,057	1,032	2.4	956	10.6
Loan-to-Deposit Ratio	70.0%	68.8%		71.5%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Aug. 1979	July 1979	% change	Aug. 1978	% change
Net New Savings	4,387	12,493	– 64.9	22,596	– 80.6
Mortgage Loans Made	119,924	115,342	4.0	146,915	– 18.4

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, August 1979

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	224.6	2.3	15.6	223.1	2.2	14.8
Food and Beverages	235.2	0.6	9.2	229.7	0.4	7.4
Food	240.8	0.7	9.5	235.3	0.4	7.5
Food at home	232.8	-0.7	7.6	228.4	-0.9	5.4
Cereals & bakery products	226.6	1.6	11.8	221.9	1.8	8.8
Meats, poultry, fish, & eggs	221.6	-4.2	5.3	223.6	-4.3	6.5
Meats, poultry, & fish	229.4	-4.3	6.9	230.8	-4.3	7.9
Dairy products	218.8	-0.6	8.7	218.6	-0.5	10.5
Fruits and vegetables	237.3	0.0	9.6	220.8	-0.1	-3.7
Other foods at home	269.0	2.1	7.0	260.9	1.5	4.7
Food away from home	263.6	3.4	13.1	256.0	3.1	12.2
Alcoholic beverages	183.3	-0.1	6.3	177.2	0.4	6.5
Housing	236.9	3.0	19.5	235.5	2.7	18.5
Rent residential	149.8	0.1	6.8	149.8	0.1	6.8
Homeownership	295.5	4.6	28.4	292.9	4.2	26.7
Fuel and other utilities	242.1	1.0	15.7	243.2	1.2	16.4
Gas (piped) & electricity	318.5	1.3	22.7	318.8	1.4	22.9
Household furnishings & oper.	182.0	0.6	3.0	181.8	0.7	2.9
Apparel & Upkeep	182.5	4.0	7.5	174.4	2.9	3.6
Men's & boy's apparel	196.5	5.5	12.7	193.9	6.2	7.9
Women's & girl's apparel	170.7	4.0	6.4	156.8	1.6	1.0
Footwear	195.1	4.6	9.9	181.6	2.0	2.5
Transportation	216.6	2.9	19.5	218.0	3.1	20.3
Private transportation	219.0	2.9	20.1	220.4	3.1	21.0
Public transportation	165.5	2.3	4.4	165.0	2.0	4.0
Medical Care	235.1	0.7	12.2	236.0	0.6	12.8
Entertainment	171.1	0.8	4.4	172.5	1.2	5.2
Other Goods & Services	200.0	0.7	7.9	204.8	0.4	10.6
Personal Care	203.6	-0.9	10.5	212.1	-1.1	15.6
ALL ITEMS (1957-59 = 100)	266.6			264.8		

Business Highlights from Across the State

Arkansas City

On August 31 of this year, John Morrell and Company announced a planned $3 million expansion and remodeling project at its Arkansas City subsidiary, Rodeo Meats, Inc. Expansion plans call for the construction of a new building, adjacent to the existing plant, to manufacture processed meats and for the remodeling of the present facility.

Since last year, Arkansas City has received a tremendous vote of confidence through local industrial development: a multi-million dollar investment has been undertaken at Total Petroleum's Arkansas City refinery to improve output and efficiency, Cessna aircraft has announced plans for additional aircraft construction and employment at Strother Field, and General Electric has planned large capital expenditures at its Strother Field jet engine plant.

Garden City

Construction of a huge beef-processing plant by Iowa Beef Processor's Inc. near Garden City was announced by Governor John Carlin on September 4. The plant will be constructed on a 165-acre site, two miles west of Holcomb, and could employ as many as 2,000 workers. The 70,000 square-foot structure will cost more than $60 million, Governor Carlin said. Construction is to begin immediately, with an expected completion date in 1984. The plant will be capable of slaughtering and processing nearly 4,000 head of cattle a day for an annual total of 1.2 million head.

"I am especially pleased that I.B.P. has chosen Kansas to locate what will be their largest slaughter plant," the governor said in a prepared statement.

Great Bend

Barton County Community College, the Small Business Administration, and the Great Bend Chamber of Commerce are sponsoring a series of business workshops on the campus of the college. Upcoming classes will cover such topics as wage and hour administration, budgeting and forecasting, credit and collections, retail store policies, and personnel relations.

Hutchinson

Hutchinson has been selected by the National Municipal League as one of the twenty-one finalist cities in the All-America City Awards program.

This means that Hutchinson was invited to send a delegation to the National Municipal League Conference in Detroit, Michigan, November 10-13, to make an oral presentation before the All-America Cities Awards Jury.

Approximately 160 cities entered the competition this year. Of the twenty-one finalists, eleven cities will be designated as All-America Cities. The thrust of the program is based on "Citizen Initiative and Action."

Hutchinson's entry focused on the following projects: the Cosmosphere Discovery Center, the Hutchinson Hospital developments, and community-education programs.

Overland Park

Data recently released by the Overland Park Chamber of Commerce provides a partial answer to the question frequently raised by Johnson County's continuing growth: "What do all those county residents do?"

The preliminary employment data for March 1979 indicated 103,500 employees, a growth of nearly 600 since March of 1978. The percentages of employees in the various employment classifications give some insight into the pattern of employment for Johnson County inhabitants. For example, 14 percent are engaged in manufacturing, 5 percent in construction, 5 percent in transportation/public utilities, 33 percent in wholesale or retail trade, 9 percent in finance, 22 percent in services, and 12 percent in government.

Salina

On September 17, Warner Brothers Studios of Hollywood, California, began filming in Salina a motion picture based on the life of cadets in a military school with a commandant who is a retired, partly senile military man. Most of the movie will be filmed at St. John's Military Academy, with other scenes being filmed at Marymount College and Kansas Wesleyan. The filming is expected to last 54 days.

Ed Boyce, president of the Salina Area Chamber of Commerce, stated, "We are very pleased that Warner Brothers has selected Salina for the filming of its movie. The economic impact of this event is going to be tremendous. Rest assured that the Chamber of Commerce will continue to lend its support and cooperation to Warner Brothers until the movie is finished."

The economic impact President Boyce was referring to is estimated to be in excess of $1 million to Salina.

Also, according to film industries' studies, each dollar will turn over between three and seven times. In addition, hundreds of local and area citizens will be hired to fill both speaking and nonspeaking roles.

Richard Shank, film development director of the new movie division of the Kansas Department of Economic Development, was first contacted by Warner Brothers in April concerning the possibility of filming in Salina.

Topeka

The Kansas Association of Commerce of Industry has released figures from a Blue Cross of Indiana study that show that Kansas health care costs rank second lowest nationally. Kansas' per day hospital charge when adjusted for residents' income is $36.47 lower than the national average of $173.98.

The study uses 1977 average daily hospital charges including lab tests, operating room charges, and room rates. The least expensive state was Wyoming ($133.36), followed by Kansas ($137.51). Massachusetts ($220.95) and California ($217.32) were the most expensive states.

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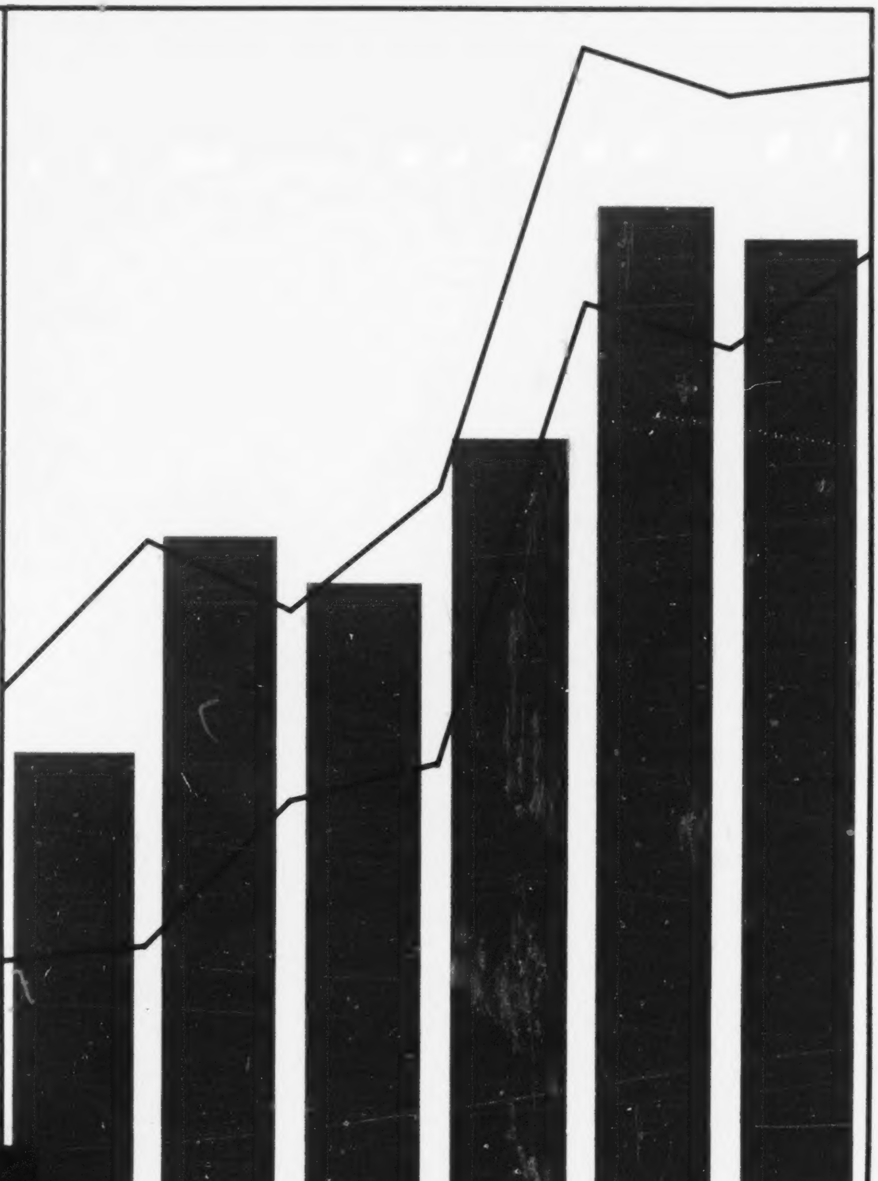

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Inflation and the 1980 Outlook

George L. Perry

Dr. George L. Perry is a Senior Fellow at The Brookings Institution and co-editor of *Brookings Papers on Economic Activity*. The following article is the transcript of Dr. Perry's address to the Economic Outlook Conference for Kansas—1980 held November 2 at the University of Kansas.

The economic outlook for 1980—and probably for well into the decade of the '80s—is being shaped by inflation and by efforts to deal with it. It is alarming to realize that the same thing could have been said ten years ago about economic prospects then.

Introduction

The economic outlook for 1980—and probably for well into the decade of the '80s—is being shaped by inflation and by efforts to deal with it. It is alarming to realize that the same thing could have been said 10 years ago about economic prospects then. In the intervening decade, we have gone through both a modest recession and a very major one as policy tried to slow inflation by reducing demand, output, and jobs; and we have had two and one-half years of price controls and a formal but voluntary program of wage-price restraint as policy tried to slow inflation directly. We have also been rocked by huge increases in energy prices and by episodes of sharply higher food prices, all of which ratcheted the CPI upward and gave new impetus to the price-wage spiral. The net result of these and other developments is that the consumer price index rose 5.5 percent in 1970 and will rise over twice that fast this year.

Voters are unhappy because politicians have not stopped inflation, and politicians are disappointed that economists have not come up with a cure. To their credit, most economists realize there are no quick cures. However, they are frustrated by political obstacles that get in the way of policies that might do some good and that might get us started toward slowing inflation.

I want to return to the longer-run inflation problem and to what we are likely to do in response to it, but, first, let me turn to my main assignment—an assessment of the economic outlook for 1980.

The Economic Outlook

Economic activity turned down after the first quarter of this year. Whether the statisticians ultimately date this as the start of a 1979-80 recession is yet unclear. Activity rebounded modestly in the summer once the gasoline lines vanished, so we have not yet had the persistent downturn in output and employment that would mark a recession. But whether or not one has officially started, bad news is ahead of us. The economy is being hit by tight money, a restrictive budget policy, and the reduction in purchasing power that comes from higher energy prices. I expect that this combination of oil drag, fiscal drag, and monetary drag will pull down demand and lead to serious declines in output and employment over the next few quarters. An assessment of the outlook begins with these three downward forces.

Oil Drag

Energy costs, driven up by the OPEC price boosts and short supplies of crude oil in the spring, have been the biggest factor behind the explosion in the price indexes this year. In round numbers, we import three billion barrels of oil and oil products a year and produce domestically another billion barrels whose price is not controlled. The average price of this oil is up by $8 to $10 a barrel since the first of the year and is still rising. The price of oil products is up even more because tightened supplies and loosened regulations have permitted refinery and dealer margins to widen. As a result, energy has added around 3.0 percentage points to the rate of inflation in the CPI during the first nine months of the year.

Paradoxically, higher energy prices pull real output down at the same time they push prices up, and so they move us toward recession as well as more inflation. This oil drag on the economy consists of the net reduction in demand for other goods and services that comes with higher energy prices. The added payments for oil imports are not balanced by greater payments for our goods and services by oil-producing nations. And higher domestic oil prices and product margins take income from high-spending consumers and convert it into oil industry profits out of which spending is relatively low. Altogether, I estimate that the oil drag is about $30 billion this year and will increase to $40 billion or more during 1980.

Fiscal Drag

Fiscal policy—measured by the high employment surplus or deficit in the budget—is growing increasingly restrictive for both this year and next. Over the two-year period, the fiscal drag on the economy, measured by the swing toward surplus in the high employment budget, amounts to $40 billion. This fiscal drag means that revenues along the economy's trend-growth path are rising $40 billion more than expenditures, thus removing purchasing power from the private sector without replacing it through greater federal sector demands.

Monetary Drag

During the first weekend in October, the Federal Reserve announced three major policy moves: an increase in the reserve requirements banks are required to hold against certain forms of deposits; an increase of a full percentage point in the discount rate—the rate banks pay to borrow reserves from the Fed; and a change in operating tactics with a new emphasis on controlling bank reserves. Each of the three measures directly caused or signalled higher interest rates. Taken together, they represented a major change to a strategy of tighter money.

The change in strategy was prompted by both foreign and domestic developments. The dollar was under pressure in foreign exchange markets, and there was a risk that it would depreciate against other currencies, in particular the West German mark. Our government was committed to stabilizing the dollar's international value, and raising interest rates here would help by making investment in dollar denominated securities more attractive. Indeed, rising interest rates abroad had been one factor putting pressure on the dollar.

If the domestic economy needed easier money, it is doubtful that the Fed would have tightened policy sharply despite these international pressures. But in early October, it appeared that, if the economy was heading into recession, it was taking its time about it and that, if inflation was slowing, it was not visible in any of the monthly price statistics. Most of the bad news in the inflation statistics came from soaring oil prices, which were neither a surprise nor a source of inflation that could be affected by monetary policy. Some of the strength in economic activity during the summer represented a bounceback from the artificially depressed levels of the spring when gasoline lines cut sharply into consumer spending. But, on balance, the domestic economic statistics all tilted the Fed towards a more restrictive policy.

I expect that this combination of oil drag, fiscal drag, and monetary drag will pull down demand and lead to serious declines in output and employment over the next few quarters.

The Fed's stated intention to control the growth of bank reserves more closely has created some new uncertainties in financial markets. In principle, such a policy should lead to greater fluctuations in interest rates as a consequence of stabilizing the supply of available funds when the demand for these funds fluctuates. Paul Volcker himself has said that interest rates would now fall more readily when economic activity slowed, just as they would rise more readily when it quickened.

But there are all sorts of complications to the Fed's new strategy, of which I will mention just two. First, there is no simple relationship between the quantity of bank reserves and the quantity of loans or other investments that banks make or the amount of money that the banking system creates. For example, it would surprise most people to learn that total bank reserves were no higher in September than they had been in January. Second, the demand for money or any other monetary aggregate depends, very loosely, on the price level as well as on the pace of real activity. This dependence on the price level destroys any close link between real activity and interest rates. If prices keep rising rapidly, the demand for funds will grow rapidly even if real activity and employment are declining.

These complications inevitably leave the Fed with a good deal more discretion in interest rate policy than some observers have read into their announced plan to control bank reserves. Pressure on the dollar and continued price inflation will keep the Fed from responding promptly to signs of economic weakness. I expect interest rates to decline but not before the economy is well into recession, and high interest rates will help push it there by choking off demands that depend on borrowing.

GNP in 1980

I now expect real GNP, our most comprehensive measure of total economic output, to fall by 2.5 percent from its peak in early 1979 to its trough in mid-1980. In our growing economy, this means output will have fallen some 7.0 percent below trend by the second half of next year, leading to sharp declines in industrial utilization rates and corporate profits and to a rise in unemployment to around 8.0 percent. Such a recession would not be as deep as the last one in 1973-75, but it would be worse than the average of the previous five downturns of the post-war period.

Obviously there are uncertainties on either side of such a forecast: until recently, at least, the government still hoped to achieve a "soft landing" with economic activity leveling off for a period but not actually falling much and with the unemployment rate rising a little but not to recession levels. A number of private forecasters agreed. On the other side, severely restrictive policies by other industrial nations or another sharp increase in OPEC oil prices would increase the probability of a more severe economic downturn than I now expect. Because inflation will still be a problem and will inhibit policymakers from using a large scale fiscal-monetary stimulus next year, the recovery from recession may be only modest and gradual, with economic slack continuing for several years after 1980.

The emerging weakness in the economy shows up unevenly among different sectors of demand. During 1979, weakness started in consumer buying, and it will spread to residential construction, inventory accumulation, and business investment in new plant and equipment.

Consumer Spending

Although the quadrupling of crude oil prices by OPEC in 1974 was a more spectacular economic event, this year's increase in the OPEC price has actually led to a far bigger rise in the price that consumers pay for fuel products. During 1974, with most fuel prices controlled, the energy component of the CPI rose by 21 percent. This year it has risen more than twice as fast. Such price increases for essential goods reduce the income consumers have available for spending on other things. Tax reductions could offset this loss of purchasing power, but, instead, the growing fiscal drag from the budget has added to the loss as inflation has increased the real tax burden on incomes.

The inflation rate that makes the headlines and that most concerns the public could be rising at only a 7.0 percent rate during much of next year . . . what is troublesome is that so large a part of this deceleration rests on factors beyond our control.

Consumers have tried to maintain their spending—and perhaps even to "buy ahead" of rising prices—by reducing their savings to a very low 4.1 percent of disposable income in the third quarter. From here, the saving rate should rise toward more normal levels, and spending for consumption will weaken further. This is the verdict both from statistical analysis and from survey evidence that shows consumer confidence and sentiment have eroded badly this year. Compared with a rise of 11 percent in consumer spending in 1979, I expect only an 8.0 percent rise next year.

Residential Construction

The biggest surprise to forecasters this year has been the relative strength of home building. The rate of housing starts during the first nine months was 13 percent below the 1978 average, but, compared with past episodes of rising interest rates, housing starts have remained remarkably strong. In the past, when market interest rates rose during tight money periods, funds left the traditional mortgage lending institutions for higher yields elsewhere. Starting in 1978, banks and thrift institutions were permitted to issue money market certificates with returns tied to the yields on Treasury bills. They were thus able to compete for funds more effectively as interest rates rose. Together with large purchases of mortgages by semigovernmental agencies, these funds have kept mortgage money available, although at record-high mortgage interest rates.

Now that the Federal Reserve has driven rates still higher, protection of the mortgage market and home building will erode. Mortgage lenders borrow short and lend long, and the cost of borrowing short simply looks too high. I expect that the rate of housing starts will fall below 1.5 million units by next spring and that weakness in residential construction activity will contribute to the overall economic downturn.

Business Fixed Investment

Business investment in plant and equipment confronts two big negatives in 1980: growing excess capacity in existing plant and equipment will reduce the need for new investment to expand capacity; at the same time, high borrowing costs will reduce the prospective profitability of new investments and will lead firms to postpone investment projects.

Weakness in business investment outlays usually lags behind weakness in other sectors, but indicators that foreshadow investment spending have already softened. The most recent government survey of anticipated spending on plant and equipment shows that barely enough increases are scheduled during the second half of this year to keep pace with rising prices. Outside of the defense sector, new orders for capital goods have fallen below levels at the start of the year. Investment by some industries, such as automobiles, aircraft, and petroleum, will be relatively insensitive to the emerging weakness in demand, but, overall, real business investment spending will decline in 1980.

There is a growing consensus in Washington for tax changes to encourage business investment; however, no such changes will be enacted soon enough to head off the cyclical weakness in this sector.

Inventory Building

Inventory building sometimes smooths and sometimes exaggerates variations in final demand in the economic cycle. If consumer spending, home building, and business investment now decline abruptly, these declines will lead to another large and unintended build-up of inventories which will initially shield output and employment from a drop in sales. This will be followed by an attempt to reduce the unwanted stocks which will add to the subsequent weakness in production. If weakening final sales are well anticipated, the corresponding slowdown in production and employment will be more gradual. But, either way, inventory building for 1980 will be much smaller than in 1979, and this swing will contribute to the downturn in overall GNP next year.

Other Sectors

Tight budgets are the order of the day at all levels of government. Neither state and local nor federal spending will be rising enough to offset weakness in private sector demands.

The real balance between exports and imports should swim against the tide and provide some support to production in an otherwise weak economy next year. Agricultural exports are growing as a result of bumper U.S. crops of wheat, corn, and soybeans coupled with poor grain crops in Russia. Furthermore, the U.S. recession, alongside the continued expansion that is currently expected in foreign economies, should improve our real trade balance in raw materials and manufactured goods. In actual dollar values, rather than in real terms which adjust for prices, higher imported oil prices could cancel much of this improvement. The better trade balance that I expect after price correction is welcome but far too small to head off the downturn in total GNP.

Inflation in 1980 and Beyond

This year, over one-third of the double-digit inflation in the CPI has come from energy prices and the cost of home purchase and financing. Most of the remainder—roughly an annual rate of price increase of 7.0 to 8.0

percent—represents the underlying rate of inflation in the economy and parallels an 8.0 to 9.0 percent rate of increase in hourly wage costs. In assessing future prospects, it is useful to distinguish between these two elements of our current inflation: the underlying rate and everything else.

The underlying inflation rate has great inertia and will be slowed only gradually by the unemployment and excess capacity that will emerge next year. On the basis of past experience, it is realistic to expect a slowdown of only one half a percentage point in the underlying inflation rate.

I believe that we will design innovative programs based on tax incentives that work and that the decade of the 1980s will be the one in which we solve the inflation problem.

The actual CPI should slow by much more in 1980. The cost of home purchase and financing, which has added between one and two full points to the rate of increase in the CPI this year, will slow as mortgage interest rates finally level off and as the recession ends the steep rise in home prices. If energy prices go up by only 10 to 15 percent during 1980—which is the optimistic end of the realistic range of expectations—they will add little to the actual rate of inflation relative to the underlying rate in contrast to their disastrous impact this year. Although most observers expect another hefty price boost from OPEC and decontrol of domestic crude prices to continue, the price of energy products should not rise by as much as the price of crude oil next year. During 1979, controls have been more effective in holding down crude oil prices than product prices, thus shifting profits from the wellhead to refineries and the distribution chain for energy products; some reversal of this should occur in 1980. Of course, if an oil shortage occurs or if OPEC raises prices as much as they have this year, energy prices will rise more than I have projected.

Finally, just a moderate rise in the overall CPI cannot be expected if food prices explode. Food prices count for 20 percent of the whole index, and they have been volatile in the past. For what it is worth, agricultural experts are not expecting a food price explosion during 1980, but forecasts here have often been very wrong.

As this appraisal suggests, the inflation rate that makes the headlines and that most concerns the public could be rising at only a 7.0 percent rate during much of next year—only half as fast as through most of 1979. What is troublesome is that so large a part of this deceleration rests on factors largely beyond our control—such as oil production and pricing abroad and good crops around the world. The part of the deceleration that is a clear and permanent response to restrictive fiscal and monetary policies and the recession they help to cause is only the one-half point slowdown in the underlying rate of inflation. We will come out of recession with that underlying rate still at an unacceptable rate of about 7.0 percent, and that will be the base from which inflation could well accelerate again as the next cyclical expansion proceeds.

The inertia in the underlying inflation rate stems from wages chasing prices, prices chasing wages, and wages chasing other wages. Some parts of this process are formally institutionalized in cost of living escalators for wages. Some parts come from political actions such as increased price supports, expanded protection from import competition, or indexed minimum wages. But most of the process simply reflects implicit and informal arrangements between employers and employees that keep anyone from getting too far behind the rest in the inflationary parade.

Because of the great inertia in this inflationary process, tight fiscal and monetary policies have high costs in lost output and jobs and small benefits in inflation fighting. Of the slowdown in GNP that such policies will generate next year, 80 or 90 percent will show up as lost output and jobs and only 10 or 20 percent as reduced inflation.

Compared with this poor cost-benefit ratio to traditional policies, programs that attempt to get directly at the wage-price spiral look very attractive. The present government's program for wage-price restraint, which centered around the Council on Wage and Price Stability, has not received accolades for its successes. Yet a careful review of the record shows that it has helped to contain wage costs and has thus moderated the overall inflation rate. The bad news on inflation has come from areas where it had no authority for action or influence—such as big jumps in food prices and in OPEC oil prices—or where it was overruled by other events or political considerations—such as the run up in mortgage interest rates and the decontrol of domestic fuel prices.

The main thrust of the restraint program was to moderate rates of wage increase, and, outside the major unions, the facts show it succeeded. The Council's 7.0 percent wage guideline was not adhered to rigidly, but it did have enough impact to hold down the economy-wide increase in average hourly earnings to near 7.0 percent through most of 1978 and even into 1979. But major union wages have far outpaced the wage guideline and wages elsewhere in the economy, thanks in part to generous cost of living provisions in most contracts.

Although most employers have welcomed the 7.0 percent wage guideline as a way of trying to orchestrate moderation in average wages, it has been increasingly hard for them to do so in the face of comparisons either with the conspicuous gains by major unions or with the CPI itself. In this situation, we have heard less and less about the 7.0 percent wage guideline from the government and, with the creation of the new 15 man advisory group headed by John Dunlop, it may now be abandoned altogether. If it is, we face a risk that wage restraint may evaporate and that the wage-price cycle may accelerate another notch.

I believe we will return to a restraint program based on numerical targets for average wages and prices, and, when we do, it may provide formal tax incentives for compliance. The administration's proposal early this year for real wage insurance was designed on that principle. Although Congress turned down that bill, it may take the next one seriously.

Until we do implement an acceptable and effective way to slow the wage-price spiral, inflation will remain a chronic problem, and fighting inflation will repeatedly conflict with achieving our goals of high employment and growing prosperity. As this hard fact sinks in, I believe the political consensus for an effective policy will emerge, we will design innovative programs based on tax incentives that work, and the decade of the 1980s will be the one in which we solve the inflation problem.

Question and Answer Session

The following is an edited version of the question and answer session that followed Dr. Perry's address.

Question: How do you feel about the possibility of a national sales tax as an alternative to increased social security taxes or in conjunction with a decrease in the individual income tax? What do you feel would be the impact of a national sales tax?

Perry: That's really what the value-added tax proposal is. As I suggested earlier, I think it's the wrong tax at the wrong time because its impact is going to be directly on the price level. Granted, it's a one-time jolt, but it's a huge one time jolt, and, in the nature of the price-wage spiral, it does not stop in that first month. Although our economy is not fully indexed, it has substantial indexing, by which I mean that, if the consumer price index jumped, an awful lot of wages would jump the next month. That jump, in turn, feeds other price increases and would have, I think, a devastating upward push on the price-wage spiral. So I think this upward generation is a fatal flaw, really, to a value-added tax or a national sales tax: both would directly raise the price level.

Question: President Carter's wage guidelines are in a shambles now. Don't you think it's futile to continue the guidelines? How successful do you think John Dunlop and his Pay Advisory Board are going to be?

Perry: I'm afraid that if you don't like what the Board is trying to do, you should be happy. I do think that we need some continued restraints, but I was about to say that I'm afraid the Pay Advisory Board is going to seriously undermine the restraint effort. I don't know just what's going to come out of it, but thus far the group doesn't seem committed to doing any serious inflation fighting for us. John Dunlop, who is a singular genius as a negotiator and arbitrator, who's an absolute wonder in gradually working with labor, is completely opposed to the guideline approach, that is, to setting a wage standard and then trying to find some way to induce compliance with it. In other words, he is opposed to the approach which attempts to address the problem as an aggregate problem. In contrast to this method, I would characterize the Dunlop approach as talking to the automobile workers at the time that their settlement comes up and, then, working with that, moving over and trying to get the steel workers to give in a little bit. Over a period of time, he did a marvelous job, for instance, in slowing down the explosion in construction worker pay that was going on in the early seventies. But, at the national level, the situation doesn't really concern negotiated settlements. Most wages in this country are not negotiated. That's why I suggested in my speech that the main element of the price-wage spiral is really the informal arrangements by which most of the labor market works, whereby no one gets too far behind the inflation parade. If you see the problem as being this kind of inflationary stimulus, as a rather wide-spread price-wage spiral, then, I think, you have to look for something that is less of a personalized approach to the problem (which is Dunlop's way) and more of a national policy, with some sort of national sanctions perhaps. I just don't think this new Board is going to move in this direction, so I'm rather pessimistic about their effectiveness.

Question: What is your impression of the proposed windfall profits tax?

Perry: I don't think the windfall profits tax has much of an effect on the overall economic picture. It does not change the price of oil or oil products one way or the other; therefore, one's opinion of it really has to be formed on other grounds. I believe that the questions that should be asked concern the issue of equity. For example, is there a windfall profit out there? And, if so, is this an effective and fair way of taxing it? My short answer to that is "yes," there is a considerable measure of windfall profits out there, and "yes" we probably should tax some of that and put it to other important uses. However, I don't think that the windfall profits tax is going to pass or, at least, a very effective windfall profits tax. I'm not saying that the tax should capture all oil profits, but I think that there are huge, huge profits involved in what's happening to the world price of oil and that, quite properly, some of that profit should be diverted to national purposes.

Question: Do you think that improving productivity will lower inflation?

Perry: That's really a two-part question. The first is: Do I see much hope that we can improve productivity? And, then, the second: If we did, would the increase be of great help on the inflation front? Unfortunately, careful studies of productivity have concluded very little. I know because in the next issue of *Brookings Papers* we are publishing some very heavy, serious work on this subject and some discussion by other people who have done some heavy, serious work on it. What you really have to conclude is that the sources of productivity growth are not well understood. We don't know, for instance, what the payoff is to stimulating investment a bit more. We don't know what the cost is, if any, of various regulatory measures that have been passed. What we do know—what appears to be true—is that there is no policy action that would affect the rate of productivity growth by more than a few tenths of a percent. So, if you are worried that productivity is slow and is growing at only 1.0 percent a year, we might, by moving some small mountains, be able to move that to 1.3 percent a year. Not to three percent from one . . . that just doesn't seem to be the order of magnitude of what we can accomplish. There is a consensus in Washington to try to encourage, and make more profitable, business investment as a way of trying to improve productivity performance. But the payoff there has been small.

When you ask—How can increased productivity help on the inflation front?—you're down to just arithmetic. The input to the inflation problem is going to be measured in terms of how great the productivity improvement is, and I'm afraid we're only talking about a few tenths of a percent. So, if we are talking about the annual inflation rate, the underlying rate, the 7.0 or 8.0, we are talking about taking it down to 6.7 or 6.8: only a modest improvement. Again, we're not talking about something that can take us from our seven percent inflation and get us down towards price stability in any short period of time. Now, this slight decline will build. Three-tenths the first year might become five-tenths a couple of years later in terms of the inflation rate. But I don't think the solution really lies there. It's important to make that rather dismal conclusion because, if we don't, then we might improve depreciation provisions and go home happy and think we've solved the inflation problem. Such wishful thinking is so far from true that it would be a great shame to so deceive ourselves. You have to deal with the inflation problem as a process, and, if we're going to make much headway on it, it will be by finding a way to intrude on that process of price and wage setting, which is, right now, running at a very inflationary rate and which we'd like to slow down. So, I don't think that the payoff in terms of inflation is very great in terms of what we might do to increase productivity.

Question: Do you subscribe to the idea that the large budget deficits run up over the last decade by the federal government are a major cause of inflation? Do you see any possibility of Congress cutting governmental expenditures as a way to lower the deficit?

Perry: Your question expresses the growing sentiment towards a more restrictive fiscal policy, towards reining in the growth of federal expenditures. About the only area where that sentiment is not the order of the day is in the defense budget right now. I know that you are probably aware that most expenditures in the budget are mandated expenditures. There is, in reality, very little scope for dealing with them. In response, you can only make radical fundamental changes on the basis on which they are mandated. I have in mind programs like social security, which grow with the population eligible for it and which grow automatically because they're completely indexed with the consumer price index. Therefore, when you look at increases in federal spending, you're looking primarily at increases that are coming from sources like that and not at new programs or at program's expanded by congressional caprice. This is an important point and deserves repeating: the great bulk of federal expenditures increase by mandate. Still, granted that the mood of being quite restrictive on expenditures has credible cause, it's a big step to say that this mood should take the form of a balanced budget, particularly so because the calls for a balanced budget come in the context of a desire for some program of tax deductions which would further enlarge the deficit.

I've worried about these issues and studied them quite hard, and I think that what many people expect to get from actions like balancing the budget simply won't happen. Balancing the budget has nothing to do with stopping inflation, for instance, which is something that most people believe it has a great deal to do with. The best thing to do is to take that on my authority and let it go at that. But if you don't want to do that and if you don't want to wade through a great deal of heavy economics in order to decide, just look at what happens around the world. We're often asked why can't we do as well as the Germans; they seem to know how to run a tight ship. In fact, the German budget deficit is many, many times larger than ours in terms of its relationship to GNP. Ours is one percent, less than one percent of an economy our size, and Germany's is about four percent. Or, look at Japan: their deficit is even much, much greater than Germany's, and Japan has done a relatively good job on the inflation front. The reason for their success is that these countries have found a way to influence directly the price-wage spiral—to get wage restraint as part of their overall policy actions. In simple terms, the budget deficit just is what it is, and it really has no consequences for the inflation problem as the historical record in the U.S. demonstrates. If you look, there is no correlation between inflation and budget deficits. The supposed relationship is just one of those ideas that dies very hard because it sounds so obvious—but, I'm afraid, it's not true.

Nonetheless, I haven't convinced the world of this, and there's a certain amount of sentiment in Washington to move in the direction of a balanced budget, and, as you know, there are people campaigning for president on the basis of platforms like that. So that mood may prevail for a while yet. However, I think that the push for tax reductions will grow in intensity and will put that sentiment off to the side, which I regard as a happy consequence. But I would not like to see us squander the tax reduction money just by putting in an old-fashioned tax cut. I think we should very seriously channel any tax reductions in directions that promise some real help on inflation. I think we should not just be doing old-fashioned tax cuts next year no matter how deep the recession is.

Question: I would like to follow up your response to the previous question. Don't you feel that the increased expenditures on the part of the federal government are a source of inflation? Isn't the federal government one of the major sources of inflation?

Perry: If you ask—Are there things the government does that contribute to inflation?—I think the answer is "yes," but I don't think they are government expenditures. In fact, one of the problems with excessive attention to the expenditure side is that, if you were to pass constitutional amendments that somehow limited expenditures, one of the main effects would be to drive Congress to accomplish its ends by means that don't show up in the budget but that are almost always inflationary. In other words, expenditures are frequently the most efficient and least inflationary way to accomplish something. Let me give you an example: the government wants to clean up the air, and one way it could do that would be to decide it's going to cost this country ten billion dollars to clean smokestacks up so they can burn coal . . . and so it's going to spend ten billion dollars to do that. It's a national purpose, and we all breathe the air, and there's ten billion dollars *already* in the budget. That would not be inflationary. By contrast, it can mandate all kinds of changes that companies have to make. And, when it does that, it usually does so in a rather inefficient way. Therefore, what gets mandated is not necessarily what needs to be done to do the job. But either way, whether it's effective or not—let's put that aside for a moment—the fact is it's now going to show up in the costs of the firm and in the price of the product that the firm sells. It's going to be directly inflationary; it's going to show up in the price level. It is perhaps paradoxical that practicing old-fashioned restraint on expenditures in accomplishing this particular task will generate a great deal of inflation. There are other examples of a similar sort that I could offer.

I think that it is much more important, in terms of evaluating the inflationary consequences of what the government does, to ask about effects of the kind that I just mentioned than to ask about particular areas in which we spend money. One could think of examples at particular times when government spending was especially inflationary, but, in general, I don't think that these examples tell us very much about controlling inflation.

Question: Don't you feel that with a strong, goal-directed energy policy on the part of the federal government our country could become energy self-sufficient? Do you feel our government is currently doing enough in the energy area? Don't we need an Apollo project for energy?

Perry: I take it that the thrust of your question is that, if we threw enough money at the energy crisis, couldn't we solve the energy shortage in a technological way. After all, we can send a man to the moon, why can't we . . . you fill in the blank.

We have had successes, but we also have had failures following massively funded programs. For example, we've been throwing money at cancer for years and haven't whipped it. Moreover, I don't think that the successes we have had assure us of future success. In other words, I don't think that the expense of a hundred billion dollars automatically means that we will have synthetic energy at a decent price in ten years. I think that the question you're raising is a good one, but I'd ask you to consider it in a slightly different context. Throwing money at the problem won't necessarily produce cheap energy. It may produce some technological marvel; it may be that we can take coal and make out of it something that we can burn in an automobile, but, when all the technology is said and done, it might be that it's four dollars a gallon.

Let me add that I know some people who work at the Department of Energy, and they're shocked by how much money is being thrown at the problem. It's true that the projects are not being done by the federal government, but they are financed by the federal government. My impression is that, if you come in with anything that's halfway or potentially promising, you'll get financed. It may be true that the country is making some effort to marshall its powers to address the energy shortage, but it's also true that it's being done by financing private activities more than by the government collecting all the best brains and locking them in a room somewhere.

The other consideration, of course, is that the oil companies keep telling us that they're going full barrel toward energy self-sufficiency. I don't know how to evaluate those claims. We can hope that the effort is one thing in addition to the buying of Montgomery Wards; we can hope that, at least, it is one other activity they're pursuing with all that money.

Question: If I understand what you've said correctly, you have dismissed a tight fiscal-restraint policy and policies aimed at increasing productivity as effective means of combating inflation. I wonder if your dismissals of these potential tools is not a bit arbitrary, and I wonder also if you would be more specific about how you think we can effectively interfere with the inflationary price-wage spiral.

Perry: Well, I didn't mean to reject out of hand some of these proposals, rather I meant to say that don't imagine that, if you improve, say, the laws governing depreciation, you can then turn your back on inflation because you've solved it. I do think that some kind of change in the depreciation allowance may be well worthwhile for a number of reasons, one reason being that a few tenths rise in the productivity growth rate may be nice to have all by itself (whether it solves the inflation problem or not). So I wasn't suggesting that such policies were not worth doing; simply that they shouldn't turn our attention from the inflation problem, which I don't think they're going to solve.

I think that the direction in which we are eventually going to go in solving inflation is to find some way of putting incentives into what has, in the past, been voluntary restraint efforts. We have had, for instance, a seven percent guideline for wage increases. To the amazement of a great many people, that voluntary restraint actually seemed to do some good. There was a lot of evidence from nonunion employers that they were using that number as a standard from which to grant the wage increases. I'm sorry to say that The Brookings Institution was very public spirited and put a lid on wage increases of that sort. This sort of thing works for a little while, but then you'd like to put more teeth into it, you'd like to be able to make the seven percent standard a standard of six percent next year and to deescalate gradually.

The kind of proposal I have in mind would be a cousin to something which we actually talked the government into proposing early this year. They called it "real wage insurance," and basically it said: Any firm whose employees agree to an average wage increase of seven percent (or any firm which holds to that standard) is eligible for real wage insurance for its employees; that is, if the CPI rises more than seven percent, they get a tax break at the end of the year to help make up the difference. It really sounds very simple, and, if you perceive the inflationary process the way I perceive it, the plan has tremendous promise. If you can really hold down increases in costs, you've accomplished a great deal, and you shouldn't be inhibited from doing so because if for some reason or another the price index rises more than you expect (as it did this year because of oil) you will have to compensate those who practice moderation. It is the moderation that you want. Now, old myths die hard, and a lot of the opposition to this bill, when it was proposed, was on the basis that what would ever happen if the CPI went up and we had to pay out? We would add to the budget deficit. Well, I think here commonsense should be your guide. If you've really held down the rising costs, you know that you've helped on the inflation front, and you should not imagine that there is some way in which it's going to come back and haunt you if you have paid out and consequently enlarged the deficit in the process of getting that restraint.

Well, real wage insurance is an example of the kind of program that I have in mind. Of course, when you start getting down to really designing it, it becomes difficult. You get a bunch of bright guys in a room talking about it, and they think of one objection after another. But I think a thrust of this kind should really be there in our efforts to fight inflation. I'm sufficiently convinced that the main problem in fighting inflation is one of a tremendous inertia infecting our efforts and that there is almost no way to act against the inertia without putting some incentives into our fight plan. You could use sticks as well as carrots. I'm suggesting a carrots approach; others may suggest penalties rather than the sort of compensation that I was suggesting. But I think that this is the direction we must pursue. This way represents a rather novel class of ideas, but, when it turns out that none of the other methods work, we'll get a more serious hearing for this sort of policy.

My chairman tells me that we've run out of time, so I thank you very much.

Kansas in September

General Business

The recession which has been expected for so long has been pushed, yet again, into the future. The revised third quarter GNP figures pushed the growth in GNP up about another one percent from the original estimates. It now appears that the recession will not start until the first quarter of 1980 if, in fact, there will be a recession.

The Kansas economy continued to show strength in September, although not as much strength as a casual review of the statistics would indicate. A quick review of the data provided by the Research and Analysis Section of the Kansas Department of Human Resources reveals that employment jumped up in September. During the same time, the average work week increased from 40.8 to 41.3 hours, average weekly earnings increased 3.6 percent, and initial claims for unemployment decreased 29.4 percent. Although these changes reflect continued strength in the Kansas economy, they are primarily a seasonal phenomenon. For example, from August 1977 to September 1977 average weekly earnings increased 3.2 percent, and from August 1978 to September 1978 average weekly earnings increased 4.9 percent. Thus, the September 1979 data does not reflect a new surge in the Kansas economy; rather, it reflects a continuation of the pace set the last two years which were good years for the Kansas economy. (See Table I.)

Employment

A closer look at the data provided by the Research and Analysis Section of the Kansas Department of Human Resources discloses, in large part, where the seasonal effect in employment lies. Total nonfarm wage and salary employment (by place of work) increased 11,700. Specifically, manufacturing employment dropped, mining dropped, contract construction dropped, transportation-utilities employment dropped, wholesale trade employment dropped, financial employment dropped, and service employment dropped; however, federal employment increased 200 and retail trade employment increased 2,000. The net effect of all these categories is a decrease of 300 in the total employment picture. The one remaining category of employment, State and local government, had an increase in employment of 12,000 from August to September, reflecting the beginning of the school year.

In terms of the long-run employment scene (September 1979 compared to September 1978), only four figures stand out. Employment in aircraft and aircraft parts was 18.3 percent above last year, employment in contract construction, despite the high-interest rates experienced since last spring, was up 12.9 percent, employment in meat production was up 9.4 percent, and employment in apparel production was down 7.9 percent. A further indication of the strength in the Kansas economy is the growth of 3.5 percent in total employment since September 1978 and, since September 1976, the more than 100,000 new jobs that have been added to the Kansas economy. (See Table II.)

Regional Employment

Statewide, the number of employed Kansans increased in September while the number of unemployed Kansans decreased, resulting in a slight drop in the statewide unemployment rate to 2.7 percent. This figure is less than half of the national unemployment rate for September and a reduction of 0.6 percent from the Kansas unemployment rate for September 1978. Of the nine regional areas surveyed, eight experienced a decline in their unemployment rate from the last time they reported, and, the other area, the Kansas portion of the Kansas City SMSA, had no change in its unemployment rate. From September 1978 to September 1979, only one regional area suffered an increase in its unemployment rate, the Coffeyville Area (Montgomery County), and that increase in the unemployment rate was only from 2.2 percent to 2.3 percent.

Of the individual areas in Kansas, in terms of employment, the most remarkable is the Wichita SMSA. The number of employed residents of the Wichita SMSA has increased nearly 20,000 in the last year and nearly 40,000 since September 1976. In September 1976, the unemployment rate in the Wichita SMSA was 5.0 percent; three years later, the unemployment rate has been cut in half. One of the major stimulants to the Wichita economy, though not the only, has been the aircraft industry which has added 14,000 jobs to the Wichita SMSA since September 1977. (See Table III.)

Retail Sales (for August)

The monthly average for total retail sales based on the retail sales tax for the quarter ending in August was up 12.0 percent over the monthly average for the preceding three-month period. Although for such a short period, a 12 percent increase in retail sales is significant, this 12 percent—due to the exemption of residential housing from the retail sales tax on public utilities which began July 1, 1979—underestimates the increase in retail sales during the last quarter. If the estimate for public utility sales is ignored, then retail sales during this same period rose 17.4 percent—about four times the inflation rate.

All of the major categories of retail sales, except of course, public utilities, showed a double-digit growth from the quarter ending in May to the quarter ending in August. However, if the retail sales for individual months are viewed, then the erratic nature of Kansas retail sales tax statistics becomes apparent. May, July, and August were good months for retail trade, while April and June were poor months. It appears that consumers are acting in unison but without a pattern to their behavior: either they buy a great deal or they buy very little at any given time. It is this erratic nature of consumption in the last few months which accounts for the fact that retail sales for the quarter ending August 1979 were up only 10.4 percent above the retail sales for the quarter ending August 1978. Even if public utilities are ignored, during this same period retail sales only increased 10.7 percent which is less than the rate of inflation. Thus, the July and August surge in retail sales was unable to make up for the weak June performance of retail sales. (See Table IV.)

Farm Prices

The prices Kansas farmers received for field crops, except wheat, declined for the second straight month. The price of wheat rose to $3.84 per bushel: this is only one cent below its peak price in July and more than a dollar higher than the price Kansans received for wheat in September 1978. The price of wheat has more than doubled since its last trough in May 1977 and has increased 90 percent since September 1977.

In contrast to field crop prices, all prices Kansas farmers received for livestock and livestock products increased from August to September. The prices of beef cattle, calves, lambs, and sheep all increased more than 10 percent. All of the prices for livestock and livestock products, except hogs, are up substantially over the prices received for these products in September 1978.

The prices Kansas farmers paid for feed either declined or remained unchanged from August to September: the prices for soybean meal, bran, beef concentrate, and dairy feed all declined. However, when prices for this September are compared to prices paid last September, a different picture emerges. All feed prices are up more than 10 percent above their price in September 1978. (See Table VI.)

Financial Activity

The September banking data for Kansas begins to show the effects of the tight money policy instituted by the Federal Reserve. Statewide, loans increased slightly, as they did in Kansas City, Kansas. Topeka experienced an actual drop in loans while Wichita had an increase of 1.3 percent. Possibly of more significance is that statewide and in each regional banking center the loan-to-deposit ratio dropped from August to September, and only in Topeka was the loan-to-deposit ratio above the September 1978 level. (See Table VII.)

The September data for savings and loan institutions again looks grim. (The surge in net new savings from August to September is caused solely by the quarterly crediting to deposit accounts of interest payment.) When compared to a year ago, both net new savings and mortgage loans made declined over 25 percent. The Federal Reserve policy of putting uncertainty into the money markets has taken the uncertainty out of the savings and loan business. The policy has definitely limited their activity. (See Table VIII.)

TABLE I
GENERAL BUSINESS INDICATORS

	Sept. 1979	Aug. 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1978
Manufacturing					
Average Work Week (hrs.)	41.30	40.80	1.20	40.60	40.70
Average Weekly Earnings (dollars)	282.90	272.95	3.60	270.37	240.99
Initial Claims for					
Unemployment Insurance	4,815.00	6,827.00	– 29.40	7,821.00	8,082.00
New Incorporations					
In-State for Profit	319.00	411.00	– 22.40	395.00	336.00
Out-of-State for Profit	94.00	93.00	1.10	93.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Sept. 1979	Aug. 1979	% change	Sept. 1978	% change
All Industries	956.0	944.3	1.2	923.7	3.5
Manufacturing	197.1	197.9	– 0.4	191.2	3.1
Durable Goods	129.2	128.8	0.3	124.7	3.6
Stone, Clay, Glass	10.4	10.3	1.0	9.7	7.2
Primary Metals	4.0	4.0	0.0	3.8	5.3
Fabricated Metal Products	14.0	13.7	2.2	13.8	1.4
Machinery (incl. elec.)	34.3	34.2	0.3	32.6	5.2
Transportation Equipment	53.1	53.1	0.0	51.3	3.5
Aircraft & Parts	47.2	46.4	1.7	39.9	18.3
Other Durable Goods	13.4	13.5	– 0.7	13.5	– 0.7
Nondurable Goods	67.9	69.1	– 1.7	66.5	2.1
Food & Kindred Products	24.0	24.3	– 1.2	22.9	4.8
Meat Products	9.3	9.2	1.1	8.5	9.4
Apparel	3.5	3.6	– 2.8	3.8	– 7.9
Printing & Publishing	16.2	16.6	– 2.4	15.3	5.9
Chemicals	8.4	8.5	– 1.2	8.3	1.2
Petroleum & Coal	4.8	4.8	0.0	4.7	2.1
Other Nondurable	11.0	11.3	– 2.7	11.6	– 5.2
Mining	13.4	13.6	– 1.5	12.9	3.9
Oil & Gas Extraction	11.0	11.2	– 1.8	10.7	2.8
Contract Construction	56.9	57.2	– 0.5	50.4	12.9
Trans., Comm., Elec., Gas	66.7	67.3	– 0.9	63.7	4.7
Wholesale Trade	62.0	62.5	– 0.8	61.3	1.1
Retail Trade	164.4	162.4	1.2	160.1	2.7
Finance, Insurance, Real Estate	47.4	47.7	– 0.6	45.6	3.9
Services	166.9	166.7	0.1	158.3	5.4
Federal Government	25.8	25.6	0.8	25.8	0.0
State & Local Government	155.4	143.4	8.4	154.4	0.6

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Sept. 1979	Aug. 1979	% change	Sept. 1978	% change
Kansas—Statewide					
Civilian Labor Force	1,222,000	1,218,900	0.3	1,169,400	4.5
Employed	1,188,400	1,184,400	0.3	1,131,200	5.1
Farm	72,600	76,400	– 5.0	79,900	– 9.1
Non-Farm	1,115,800	1,108,000	0.7	1,051,300	6.1
Unemployed	33,600	34,500	– 2.6	38,200	– 12.0
Rate	2.7%	2.8%		3.3%	
Lawrence SMSA					
Civilian Labor Force	33,400	31,800	5.0	32,150	3.9
Employed	32,400	30,800	5.2	31,100	4.2
Farm	900	1,000	– 10.0	1,000	– 10.0
Non-Farm	31,500	29,800	5.7	30,100	4.7
Unemployed	1,000	1,000	0.0	1,050	– 4.8
Rate	3.0%	3.1%		3.3%	
Kansas portion of Kansas City SMSA					
Civilian Labor Force	266,100	267,000	– 0.3	256,550	3.7
Employed	256,400	257,300	– 0.3	247,250	3.7
Farm	1,600	1,700	– 5.9	1,750	– 8.6
Non-Farm	254,800	255,600	– 0.3	245,500	3.8
Unemployed	9,700	9,700	0.0	9,300	4.3
Rate	3.6%	3.6%		3.6%	
Topeka SMSA					
Civilian Labor Force	94,400	94,600	– 0.2	93,050	1.5
Employed	91,400	91,500	– 0.1	89,600	2.0
Farm	2,100	2,200	– 4.5	2,350	– 10.6
Non-Farm	89,300	89,300	0.0	87,250	2.3
Unemployed	3,000	3,100	– 3.2	3,450	– 13.0
Rate	3.2%	3.3%		3.7%	
Wichita SMSA					
Civilian Labor Force	224,500	224,900	– 0.2	207,150	8.4
Employed	218,900	219,000	– 0.0	200,500	9.2
Farm	2,900	3,100	– 6.5	3,250	– 10.8
Non-Farm	216,000	215,900	0.0	197,250	9.5
Unemployed	5,600	5,900	– 5.1	6,650	– 15.8
Rate	2.5%	2.6%		3.2%	

	Sept. 1979	July 1979	% change	Sept. 1978	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,625	17,675	– 0.3	17,400	1.3
Employed	17,350	17,275	0.4	17,075	1.6
Farm	1,075	1,200	– 10.4	1,100	– 2.3
Non-Farm	16,275	16,075	1.2	15,975	1.9
Unemployed	275	400	– 31.3	325	– 15.4
Rate	1.6%	2.3%		1.9%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Sept. 1979	July 1979	% change	Sept. 1978	% change
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,475	16,225	1.5	16,425	0.3
Employed	15,950	15,600	2.2	15,800	1.0
Farm	975	1,100	– 11.4	975	0.0
Non-Farm	14,975	14,500	3.3	14,825	1.0
Unemployed	525	625	– 16.0	625	– 16.0
Rate	3.2%	3.9%		3.8%	
Lyon Co.—Emporia Area					
Data Not Available					
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,375	21,275	0.5	21,500	– 0.6
Employed	20,875	20,725	0.7	21,025	– 0.7
Farm	700	775	– 9.7	700	0.0
Non-Farm	20,175	19,950	1.1	20,325	– 0.7
Unemployed	500	550	– 9.1	475	5.3
Rate	2.3%	2.6%		2.2%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	35,325	32,200	9.7	34,550	2.2
Employed	34,650	31,400	10.4	33,650	3.0
Farm	1,525	1,725	– 11.6	1,550	– 1.6
Non-Farm	33,125	29,675	11.6	32,100	3.2
Unemployed	675	800	– 15.6	900	– 25.0
Rate	1.9%	2.5%		2.6%	
Riley Co.—Manhattan Area					
Data Not Available					
Saline Co.—Salina Area					
Civilian Labor Force	25,950	26,400	– 1.7	25,450	2.0
Employed	25,275	25,675	– 1.6	24,775	2.0
Farm	800	925	– 13.5	825	– 3.0
Non-Farm	24,475	24,750	– 1.1	23,950	2.2
Unemployed	675	725	– 6.9	675	0.0
Rate	2.6%	2.7%		2.7%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Aug. * 1979	May * 1979	% change	Aug. * 1978	% change
Apparel	25.4	23.0	10.4	22.9	10.9
Automotive	213.6	187.4	14.0	204.1	4.7
Food	234.1	208.0	12.5	205.1	14.1
Furniture	40.4	36.5	10.7	36.2	11.6
General Merchandise	136.5	123.5	10.5	125.7	8.6
Lumber and Building Materials	95.1	67.2	41.5	84.0	13.2
Professional and Personal Service	38.8	31.5	23.2	33.9	14.5
Public Utilities	84.2	114.9	– 26.7	78.9	6.7
Unclassified	101.7	84.3	20.6	90.7	12.1
Farm and Garden Products	1.0	0.9	11.1	0.7	42.9
Manufacturing and Trading	74.3	55.8	33.2	64.0	16.1
Miscellaneous	1.8	1.6	12.5	2.4	– 25.0
Total	1046.9	934.6	12.0	948.6	10.4

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

Data Not Available

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Sept. 1979	Aug. 1979	% change	Sept. 1978	% change	Annual Avg. 1978
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.84	3.67	4.6	2.81	36.7	2.72
Corn (bu.)	2.54	2.60	– 2.3	2.09	21.5	2.21
Sorghum (cwt.)	3.95	4.06	– 2.7	3.21	23.1	3.29
Hay (ton)	47.00	48.00	– 2.1	41.00	14.6	40.88
Soybeans (bu.)	6.66	7.05	– 5.5	6.23	6.9	6.17
Livestock & Products						
Beef Cattle (cwt.)	68.20	61.80	10.4	56.00	21.8	50.72
Calves (cwt.)	89.80	81.50	10.2	66.30	35.4	58.78
Hogs (cwt.)	38.10	36.30	5.0	48.00	– 20.6	47.66
Lambs (cwt.)	66.70	58.80	13.4	59.40	12.3	59.47
Sheep (cwt.)	22.00	17.00	29.4	13.70	60.6	13.33
Milk (cwt.)	12.60	12.30	2.4	11.00	14.5	10.73
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.50	13.00	– 3.8	11.00	13.6	10.92
Bran (cwt.)	7.20	7.30	– 1.4	5.90	22.0	6.27
Beef Conc. (cwt.)	9.60	9.80	– 2.0	8.60	11.6	8.58
16% Dairy Feed (ton)	156.00	158.00	– 1.3	134.00	16.4	138.17
Hog Conc. (cwt.)	14.00	14.00	0.0	12.00	16.7	12.31
Laying Feed (ton)	185.00	185.00	0.0	160.00	15.6	160.08

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Sept. 1979	Aug. 1979	% change	Sept. 1978	% change
Kansas—Statewide					
Loans	7,858	7,851	0.1	7,282	7.9
Demand Deposits	3,940	3,808	3.5	3,797	3.8
Time & Saving Deposits	8,094	8,026	0.8	7,150	13.2
Loan-to-Deposit Ratio	65.3%	66.3%		66.5%	
Kansas City (Wyandotte)					
Loans	494	493	0.2	513	– 3.7
Demand Deposits	225	222	1.4	241	– 6.6
Time & Saving Deposits	540	527	2.5	500	8.0
Loan-to-Deposit Ratio	64.6%	65.8%		69.2%	
Topeka (Shawnee)					
Loans	516	519	– 0.6	447	15.4
Demand Deposits	286	270	5.9	278	2.9
Time & Saving Deposits	553	594	– 6.9	483	14.5
Loan-to-Deposit Ratio	61.5%	60.1%		58.7%	
Wichita (Sedgwick)					
Loans	1,250	1,234	1.3	1,166	7.2
Demand Deposits	758	707	7.2	702	8.0
Time & Saving Deposits	1,066	1,057	0.9	948	12.4
Loan-to-Deposit Ratio	68.5%	70.0%		70.7%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Sept. 1979	Aug. 1979	% change	Sept. 1978	% change
Net New Savings	55,737	4,387	1170.5	77,728	– 28.3
Mortgage Loans Made	87,172	119,924	– 27.3	120,607	– 27.7

Source: Federal Home Loan Bank of Topeka

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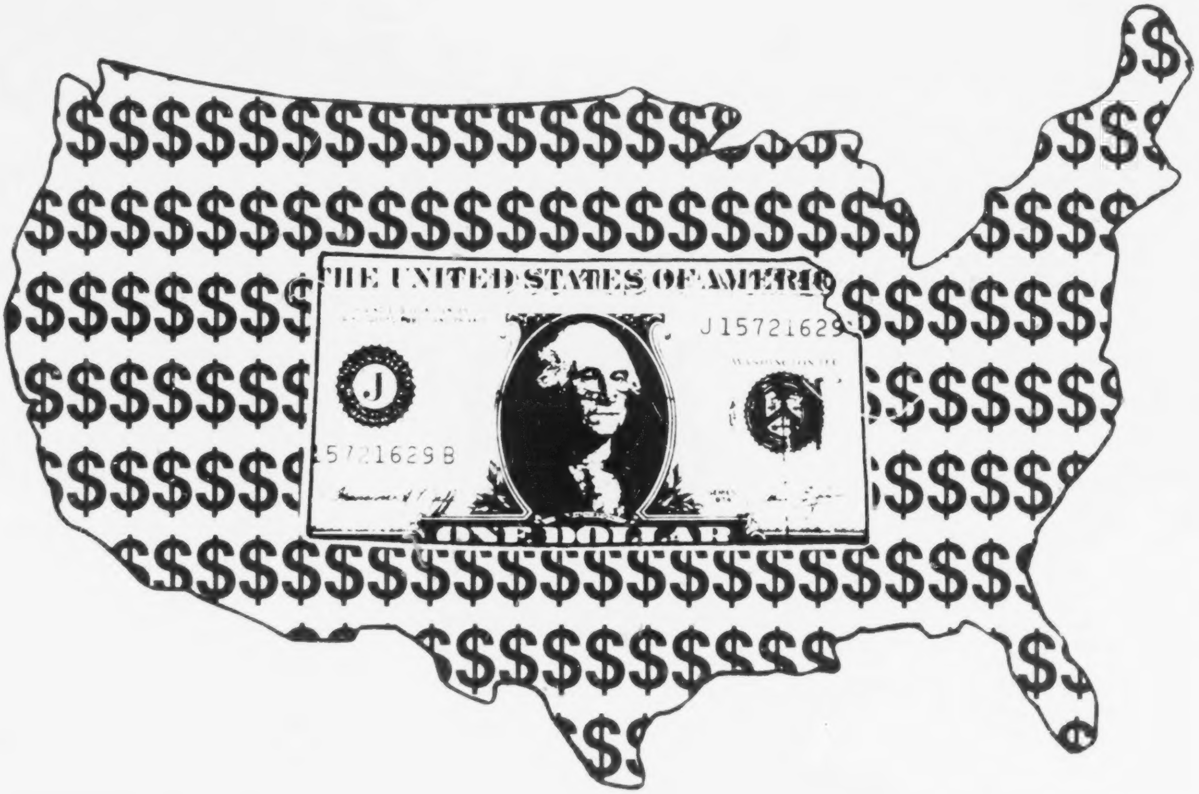
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Reports from the Economic Outlook Conference for Kansas --1980

The State of the State

The following reports are adaptations of the speeches given by Governor John Carlin, Professor Darwin Daicoff, and Professor Jarvin Emerson on November 2, 1979 at the fourth annual Economic Outlook Conference for Kansas. Dr. Daicoff is Professor of Economics and Director of the Institute for Economic and Business Research at the University of Kansas; Dr. Emerson is Professor of Economics at Kansas State University.

By the Honorable John Carlin,
Governor, the State of Kansas

Shortly after taking office as Governor of Kansas, I had the opportunity to report to you on the state of the Kansas economy. Then, as now, I am firmly convinced that government, working hand in hand with private enterprise, can fulfill its share of responsibility to maintain a healthy Kansas economy. Today, as we meet, our nation is in the midst of a recession. Each day, we hear the terms inflation, balance of payments deficit, and reduced standard of living. As our nation searches for solutions to these difficult economic problems, most Kansas economic indicators reveal that our economy remains healthy and stands as a model to the nation.

I am glad to report that, according to our most current figures, the State's gross economy should increase nearly 15 percent in 1979 as compared to 1978. In 1978, Kansas realized a $21.4 billion gross State product. This year, the economic indicators show that the gross State product should be slightly more than $24.5 billion. Meanwhile, personal income should increase nearly 15 percent from $18.5 billion in 1978 to $21.2 billion in 1979.

One of the brighter spots in our 1979 economic report is farm income, which is expected to increase more than 25 percent during 1979.

As you know, we finished 1978 with the second lowest rate of unemployment in the United States—3.2 percent. Our unemployment rate for last month was slightly more than 2.8 percent. Barring some totally unforeseen economic disaster, our overall unemployment rate should be at least two-tenths of one percent lower than in 1978.

It is our expectation that employment will increase about 3.0 percent in 1979 over the previous year. In 1978, 1,132,000 people were employed in Kansas. Estimated employment for 1979 should register 1,166,000. Seventy new industries located in Kansas over the last year. Numerous other industries have expanded.

Still, Kansas, like the rest of the country, is the victim of inflation. Without a doubt, inflation is our greatest problem as we prepare for 1980. It has affected the most important aspects of our economy including housing, labor, and agriculture. Kansas taxpayers continue to feel the brunt of inflation. Wages and salaries are expected to increase approximately 14.5 percent as opposed to an anticipated 12.5 percent increase in the cost of living.

Due to our diverse economic structure, Kansas has, in the past, been spared much of the instability caused by fluctuations in national economic conditions. Our current anti-inflation policy, although designed to directly ease inflation, exerts significant short-term hardships for some sectors of our economy.

Nowhere is this more visible than in the area of housing; however, the credit crunch will also affect Kansas consumers already faced with a rising cost of living as well as Kansas farmers faced with the rising costs of operations and businesses in need of capital and desiring to start up or expand in Kansas.

Aside from the imminent capital shortage, the labor shortage in Kansas continues to persist. Despite the threat of nationwide recession, Kansas continues to suffer from a serious shortage of skilled workers. At a time when increases in the State's housing stock could serve to attract skilled labor to Kansas communities, current national policy could be disastrous if not supplemented by State action. Furthermore, according to projections, more than 15,000 housing units should be constructed annually if we are to meet the housing needs of the State by the year 2000.

Economic development is not an optional activity for this administration. It is a vital concern. Economic development requires my continuous involvement. To address these issues, this administration has pursued, and will continue to pursue, a number of initiatives in these problem areas. In housing, I have proposed a five-point program designed to increase resources with which to meet the housing needs of Kansas. My administration favors the establishment of a nonprofit State housing corporation to assist Kansas communities in issuing tax exempt revenue bonds for multifamily housing. I have assigned this responsibility to the Kansas Department of Economic Development and, in addition, will urge the 1980 session of the Legislature to study ways to make our usury rate more flexible to ease the availability of funds for housing needs. These actions should serve to reinforce recent attempts by the President to directly increase the availability of housing funds to the Federal Home Loan Bank Board and the Department of Housing and Urban Development.

To cope with inflation, I feel that this administration must capitalize on existing opportunities. High inflation and dollar devaluation have increased the demand for American products and have made them more competitive. We must take advantage of the current situation to promote the development of additional markets for Kansas products and support the continued expansion of our tourism industry. In September, we sponsored a conference on international trade. Topics ranged from potential overseas markets to information and technical assistance in the area of foreign trade. Representatives from nineteen foreign countries attended the conference. In addition, the Kansas Department of Economic Development sponsored a Governor's Conference on Tourism in October to explore ways to better promote tourism as a major industry in Kansas.

The opportunities are monumental. The value of our manufactured exports in 1976 was $635 million, and Kansas ranks 17th among the 50 states in amount of manufactured products. According to a 1977 survey, the travel industry in Kansas employed 39,000 persons and generated more than $30 million in tax revenue for State government and about $5 million for local governments.

As you know, we visited the People's Republic of China on an exploratory trade mission. I believe that the trip established a solid groundwork for future relations with the world's most populous country, as China today represents one of the greatest sales markets for Kansas agricultural products and technology. As a result of this trip, Kansas is in the forefront in establishing meaningful trade relations with China. We look forward to future exchange and cooperation particularly in areas of agriculture, business, and education.

These are only some of the directions I have pursued during the first year of my administration. My legislative package for the 1980 session will reflect these concerns as well as other issues that confront the Kansas economy.

Earlier I mentioned my concern for the continuing pressure of inflation on Kansas taxpayers. Since I became Governor of the State, relief from the tax burden has been a major priority of my administration. We have witnessed success in extending tax relief and have repealed the sales tax on utilities. We have expanded the homestead property tax relief program, we have increased the amount of personal exemption in the State income tax, and we have opposed legislation that would have brought increased property taxes for residential and farm properties. We have supported, and will continue to support, restraints on excessive State spending. We will also continue to study ways to further extend tax relief during the coming legislative session. These measures are designed to address the issues of inflation and economic development that confront this administration.

I continue to believe in the goal of sustained economic development and quality growth for Kansas. In light of the difficult times ahead, I believe that government and the private sector in the State can and must work together to achieve this goal.

I ask your support and look forward to receiving your continued advice and counsel during the coming months.

Best wishes in your deliberations, and I thank you for allowing me the opportunity to participate in this most worthwhile meeting.

Kansas and the Nation 1979-1980

By Darwin Daicoff

I will begin with a review of the economic forecast that the participants of the conference produced last year. I feel that these annual forecasts are a very important part of our conference activities because this cross section of the two or three hundred of you gives considerable insight into what is forecast in the private sector. But, if we review what was forecast last year and compare that with the record for 1979, we see that the audience last year forecast a much more severe 1979 recession than we may be in presently.

Last year's participants forecast unemployment higher, gross national product growth lower, interest rates

Table 1
National Economic Forecasts, Yearly

	1978	1979	1980
Gross National Product			
Current, % Change	12.0	11.3	8.0
Real, % Change	4.4	1.9	– 1.4
Real Disposable Income, % Change	4.6	2.3	0.1
Profits Before Tax, % Change	16.3	12.0	– 2.5
Consumption, % Change	11.6	11.4	8.7
Money Supply, % Change	8.4	7.0	3.3
Prime Rate, % Change	9.06	12.7	12.4
Bond Rate, % Change	8.88	9.8	9.7
Unemployment Rate, %	6.0	5.9	7.4
Consumer Price Index, % Change	7.7	11.2	10.2
Wholesale Price Index, % Change	7.7	12.7	12.7
Housing Starts, % Change	2.2	– 15.5	– 11.0

lower, profits lower, and inflation lower than actually recorded. In particular, they estimated that inflation, as measured by the consumer price index, would increase by 11 percent; the increase will probably be closer to 12 percent. In terms of gross national product and current value terms, they forecast an increase of about 8.5 percent, whereas the increase may be about 11 percent. Most of the difference, of course, is due to inflation. As far as interest rates are concerned, they were much more optimistic than the record would justify in that they forecast that the prime rate would average slightly under 11 percent for the year. Clearly, it will be much closer to 13 percent before the year is over. Profits were estimated to increase by a sum of slightly less than 4.0 percent, while, in fact, profits are increasing at a rate of about 12 percent for 1979. In so far as unemployment, the forecast was that unemployment would rise substantially to 6.5 percent, but it has remained below 6.0 percent.

I want to turn our attention now to a review of some national forecasts, and I will conclude my address with a review and a forecast for Kansas. We have the data for 1978, a forecast for what 1979 will produce, and the predicted numbers of a forecast for 1980 (see Table 1). I will begin with gross national product—the total value of all goods and services produced in the nation. In terms of current value terms, gross national product increased about 12 percent in 1978, is estimated to be slightly lower this year at 11.3, and is forecast to grow for next year at 8.0 percent. If we look at what happened in real terms—taking out the impact of inflation—we see that most of last year's 12 percent growth was the result of inflation, for the real growth was only 4.4 percent. The real growth this year looks even bleaker, below 2.0 percent real growth rate for 1979. For 1980, real gross national product is predicted to decline; a declining real GNP clearly indicates a recession in 1980. In terms of real disposable income which is a good measure of welfare or of real economic well-being (dollars adjusted for inflation that one can spend after taxes), we see a 4.6 percent gain last year, a 2.3 percent increase this year, and almost zero growth next year. Profits before taxes in 1978 rose mightily at 16.3 percent, and this year they will come in at 12 percent. That 12 percent number is the sum of some very interesting numbers that we all have been made aware of in recent days; for example, the fantastic profits being reported by the oil companies of late. Of course, this 12 percent growth includes Chrysler's troubles as well. When you put the pluses and the minuses together, 1979 turns out to be a good year, not a great year, but one much better than next year, wherein profits before taxes are expected to actually decline. Consumption, of course, is such a big part of gross national product that it tracks gross national product quite well. The numbers show that consumption has grown along with GNP. In fact, consumption has grown slightly more rapidly than GNP this year and may grow even more next year in spite of the forecasted decline in GNP. Therefore, consumption is expected to be a positive part of the economy in 1980. In terms of data that ought to interest bankers, the money supply increased by about 8.4 percent last year with 7.3 percent likely this year. Recent data show that the money supply decreased; this decline anticipates the significant decline forecast for next year, when the money supply growth is predicted to be less than half of this year's growth. With the prime rate rising from 9.0 percent to over 12.0 percent and probably even higher from 1978 to 1979, with the battle being waged against inflation, and with high interest rates in general, short-term rates will decline slightly in 1980. Look what happens to bond rates: almost no change next year—from 9.8 to 9.7.

The fight against inflation, which is clearly the major current economic policy, will not change this year's unemployment rate much from last year's. But next year, we will probably add about 1.5 percentage points to the unemployment rate; that 1.5 percent means that about 1.5 million more people who are looking for a job won't be able to find one. The relationship tells us something about the trade-offs that are really involved in our economy: when we try to gain a little bit on inflation—one percentage point—we have to add a 1.5 percentage point increase to the unemployment rate and drive real growth down to a negative 1.4 percent. We live in a world of difficult public choices. The wholesale price index increased from 7.7 in 1978 to 12.7 in 1979 and is predicted to increase at about the same rate in 1980. Housing starts for 1978 ran about 2

When we try to gain a little bit on inflation—one percentage point—we have to add a 1.5 percentage point increase to the unemployment rate and drive real growth down to a negative 1.4 percent. We live in a world of difficult public choices.

million, 1979 ought to come in at 1.7 million, and 1980 at 1.2 million or less—this pattern represents two years of substantial declines for the housing industry.

Let us now look at some of these numbers on a quarterly basis (see Table 2). This table includes data for the last three quarters of 1979 and for the four quarters of 1980. For GNP we see a peculiar situation in the second quarter of 1979 where we had that negative growth of 2.3 percent. That figure was the result of the energy situation, the teamster's strike, declining purchases of meals away from home—a whole host of related factors that resulted in negative growth. The third quarter turned around to offset the second quarter decline. This forecast calls for a bleak fourth quarter of 1979 and bleak first and second quarters for 1980. This run of negative numbers would represent three quarters of negative growth in a row which by most definitions would qualify as a recession. If I were to adjust these numbers in light of current expectations, the only thing I'd change would be to make the fourth quarter of 1979 slightly less negative than the – 3.6 percent.

In terms of real disposable income, the quarterly numbers track the gross national product fairly consistently. In 1980, the prime rate is expected to decline a point every quarter. The prime will read a high of 15 or 16 points sometime this quarter and then begin to taper off.

The quarterly unemployment data show a 5.8 percent rate in the third quarter of 1979 and an increase of around two percentage points by the end of 1980. Because there are about a hundred million people in the labor market, those two points mean that two million people won't find jobs. The consumer price index annual increase is predicted to decline from its current 13.6 level to about 8.0 percent by the end of 1980. This prediction assumes that there won't be any additional increase in oil prices. If the Saudis do, in fact, raise oil prices by 40 percent, as a lot of their talk seems to indicate, then all bets on this forecast are off. The wholesale price index is expected to decline more rapidly in the early part of 1980 than it did in 1979 but is predicted to turn upward at the end of 1980.

Now, let's turn our attention to Kansas. This is an economic outlook conference for 1980, but, because we are embarking on a new decade, I was inspired to go back and look at a bit of Kansas history to see what the past has to tell us about how we got to where we now are. I have history for 30 years in, basically, five-year increments that measure the economic well-being or economic performance of Kansas (see Table 3). These numbers express Kansas as a percentage of the nation. Kansas population in 1948 was 1.3 percent of the nation; by 1978 it was 1.08 percent. This decline was fairly consistent throughout the entire period, with some very significant negative growth in the middle of the 1960's due to out-migration. It should be noted that in 1978 there was the first upswing in that percentage figure in the entire 30-year period—this year was one of the few times that Kansas grew more rapidly than the nation.

In respect to Kansas agricultural and nonagricultural employment as a percentage of the nation, a pattern of decline over the 30 year period can be seen, as the ratio moves from 1.25 percent to 1.12 percent. The high point was reached in 1952, a peculiar year in Kansas relative to the nation as we will also see in respect to other data. In 1952, the employment ratio hit 1.28; the low was at 1.04 in 1970. Over the last three years, there has been some relative employment gain for the State. Personal income received by Kansans moved from 1.21 percent of the nation in 1948 down to 1.08 in 1978. The high mark for this indicator was also in 1952 when the number reached 1.31, and the low in 1969 was 1.05 percent. In the last four years, there has been a downward turn with a slight upturn in 1978.

Kansas per capita personal income in the early part of the period was below average at 93 percent of the nation and, in 1978, was slightly over 100 percent. Again, the high was in 1952 when it was 103 percent; the low at 90 percent was in 1956.

Per capita personal income, of course, relates personal income to population. The relationship between employment and population is intriguing. I produced a series that relates Kansas employment to population for the 30-year period (see Table 4). In 1948, 36.6 percent of Kansans had a job, and that number has risen to almost 43 percent 30 years later.

Table 2

National Economic Forecasts, Quarterly

	II-79	III-79	IV-79	I-80	II-80	III-80	IV-80
Real GNP, % Change	– 2.3	2.4	– 3.6	– 4.0	– 1.0	1.0	2.1
Real DI, % Change	– 1.3	2.1	– 1.3	– 2.0	– 0.5	2.5	2.3
Prime Rate, %	11.7	12.5	14.8	13.9	12.7	11.7	10.9
Unemployment Rate	5.7	5.8	6.3	7.0	7.4	7.8	7.8
CPI, % Change	13.6	13.6	12.8	11.5	9.8	8.3	8.0
WPI, % Change	9.3	12.0	11.6	9.0	8.4	8.3	8.7

Table 3

Kansas as Percentage of Nation

Year	Population	Employment	Personal Income	Per Capita Personal Income
1948	1.30	1.25	1.21	93.22
1950	1.27	1.24	1.22	96.12
1955	1.27	1.23	1.18	92.32
1960	1.21	1.18	1.15	94.68
1965	1.14	1.10	1.09	95.67
1970	1.10	1.04	1.06	95.68
1975	1.07	1.11	1.09	101.60
1978	1.08	1.12	1.08	100.59

Significant increases began in 1962 and have continued ever since. Comparisons to the nation and other states are possible. In 1976, Kansas had a ratio at 36 percent versus 37 percent for the nation as a whole. Relative to the states in our area, Missouri, Colorado, and Nebraska were not terribly out of line with the Kansas figure; Oklahoma runs somewhat out of line. The data suggest that industrial urban states have higher employment to population ratios than do rural states.

Dr. Emerson is going to talk in greater detail about the growth in population and employment in Kansas, but I would like to make a few comments as well. If September 1979 employment numbers are compared to September 1978 numbers, I find that employment in Kansas has increased by about 3.0 percent. This 3.0 percent increase in State employment is largely concentrated in three industries: in aircraft and parts, in contract construction, and in services. As a matter of fact, these three industries account for about 60 percent of the total increase in employment for the State. The service and the aircraft increases are a continuation of a trend that we observed in 1978 and that we can expect to continue in 1980. However, one cannot forecast that construction employment will continue to increase at the 13 percent rate registered last year, especially given the difficulties in the home construction portion of the industry.

Not only do we have a concentration of employment growth in three specific industries, we also have a concentration of employment growth in particular parts of Kansas. The Wichita SMSA and the Kansas portion of the Kansas City SMSA account for about two thirds of the total growth of employment in the State. So, while employment is growing, it is clearly growing in just a few industries in a few particular places.

Table 4

Kansas Employment Related to Population (Percent)

Year	Ratio
1948	36.62
1950	35.79
1955	34.82
1960	33.03
1965	33.27
1970	34.96
1975	39.66
1978	42.82

Let's turn to personal income (see Table 5). From 1972 to 1978, Kansas personal income grew at a rate of 83.4 percent, which was slightly more rapid than the 82.6 percent for the nation. Compared to the four states bordering Kansas, Kansas grew more rapidly than two and less rapidly than two; we were in the middle. In the most recent year, from 1977 to 1978, again Kansas grew more rapidly than the nation, but that growth rate was surpassed by three of the states in the region. On the basis of the numbers that are available through July for this year, again Kansas grew more rapidly than the nation—19.1 percent versus 12.8 percent—and the 19.1 percent is larger than the rate of increase for any of the bordering states. Relative to the nation, Kansas per capita income was 99 percent in 1972, slightly below average; by 1977, we were at the national average, and by 1978 we were above average. Among neighboring states, Colorado income always has been above the national average and continues to be so, while the other three bordering states are below the national average. The farthest below is Oklahoma.

Table 5

Personal Income

Growth (Percent Change)	1972-78	1977-78	July 1978-July 1979
Kansas	**83.4**	**13.3**	**19.1**
Colorado	99.9	14.6	19.0
Nebraska	78.8	14.4	15.6
Missouri	78.8	12.3	10.5
Oklahoma	103.3	13.8	14.0
U.S.	82.6	12.1	12.8
Relative Position: (Percent of Nation)	**1972**	**1977**	**1978**
Kansas	**99**	**100**	**101**
Colorado	101	102	103
Nebraska	97	95	97
Missouri	93	93	93
Oklahoma	85	91	91

The farm income data for Kansas in 1978 are very current; we can see that there was $4.4 billion in cash receipts from farm marketings for the State—an increase of some 15 percent over 1977. Most of that increase is from livestock where the cash receipts rose by a third; crop receipts fell by about 10 percent. Government payments rose substantially in 1978 to $300 million, and that was a rise of 27 percent for the year. The gross farm income increase was 15 percent, essentially the same growth as in cash receipts. Production expenses, however, rose more rapidly than cash receipts, and, therefore, net farm income before inventory fell by one percent in 1978. In 1978, farmers added $100 million to their inventory of crops and livestock; net farm income rose to $712 million. This $712 million is a significant improvement over the last four years. These numbers are amazing. In 1974, net farm income fell 36 percent. In 1975, it then fell by an additional 29 percent; it fell by an additional 32 percent in 1976. In 1977, it only fell by 5.0 percent. Since 1974, the only gain was in 1978 when net farm increase moved from $416 million in 1977 to $712 million in 1978, an increase of 71 percent.

We now have the data for farm prices for September of this year (see Table 6), and we can see that a ton of hay sold for $47 in September, an increase of 14.6 percent from September

1978 to September 1979. Corn prices increased 21 percent for the year. Soybeans increased 11 percent—the weakest of these crop prices—and wheat prices rose 36 percent, clearly the strongest increase in field crop prices. August and September prices for the major crops have been very negative with the exception of wheat which did go up a bit in price in September.

The livestock price situation shows a great variety, with cattle recording an 18 percent increase while hog prices, the weakest of all livestock prices, declined 20 percent. Overall, all Kansas farm products brought in an additional 18.3 percent in terms of prices for Kansas farmers in this 12-month period.

In respect to farm production, we have the numbers for Kansas and the U.S. for 1978 and 1979 for major crops. Every crop in Kansas recorded an increase in output. A whopping increase of 55 percent in soybean production was recorded; there was an increase of about 33 percent for wheat. For Kansas in comparison to the nation, the percentage increases in output for all crops in the State were greater than the increases recorded for the United States. In terms of yields per acre, again, in every crop, Kansas had increases greater than the increase for the U.S.

Let's look at a review of consumer prices (see Table 7). We have the consumer price index (CPI) broken up into eight components for the United States. Unfortunately, we don't have a CPI for Kansas, but there are numbers for Kansas City. We see that for the U.S., August 1979 compared to August 1978, the increase is about 12 percent. There were strong price increases in the transportation and housing areas, especially. On the other hand, for Kansas City, the increase was almost 15.6 percent, also with the increases most notably in the transportation and housing categories.

Those of you who have read the November issue of *Kansas Business Review* know of our efforts at the KU Institute for Economic and Business Research to develop price indices within the State. What has been found so far indicates to us that we can expect that the Wichita price increase is as rapid or more rapid than Kansas City's and that in the State's rural areas, especially those located some

Table 6
Kansas Farm Prices

	Sept. 1979	Sept. 1978-Sept. 1979 (% Change for Year)
Hay, ton	47.00	14.6
Corn, bu.	2.53	21.1
Soybeans, bu.	6.93	11.2
Sorghum, cwt.	3.92	22.1
Wheat, bu.	3.83	36.3
Cattle, cwt.	68.20	18.0
Hogs, cwt.	38.10	– 20.3
All Crops		34.2
Livestock and Products		10.6
All Farm Products		18.3

Table 7
Consumer Price Indexes, Percentage Change August 1978 to August 1979

	U.S.	K.C.
Food and Beverages	9.6	9.2
Housing	12.8	19.5
Apparel and Upkeep	4.2	7.5
Transportation	16.7	19.5
Medical Care	9.2	12.2
Entertainment	7.2	4.4
Other Goods and Services	7.1	7.9
Personal	0.0	10.5
Total	11.8	15.6

Table 8
Kansas City Real Spendable Income (Factory Workers, 1967 = 100)

Feb. 1978	115.78
April 1978	120.75
June 1978	120.82
Aug. 1978	117.26
Oct. 1978	123.75
Dec. 1978	125.40
Feb. 1979	117.36
April 1979	111.12
June 1979	115.27
Aug. 1979	112.60
Oct. 1979	113.20

Table 9
Selected Commercial Bank Data (Monthly Average, Millions)

	Loans	Demand Deposits	Time Deposits
I-78	$6,719	$3,937	$6,913
II-78	6,918	3,844	7,061
III-78	7,240	3,777	7,104
IV-78	7,283	3,967	7,317
I-79	6,547	4,089	7,525
II-79	7,682	3,896	7,816
III-79	7,822	3,922	7,989

distance from metropolitan areas, the price index rises more rapidly than in Kansas City.

Consider, now, Kansas City real spendable income, what dollars will buy after taxes, for factory workers (see Table 8). In August 1979, the index stood at 112.6 on the basis of 1967 equals 100. In other words, in a dozen years the average real spendable income for Kansas City factory workers grew by some 12 percent—only by 1.0 percent per year. The number at the end of 1978 was around 125, versus 112 in August 1979. It's no wonder that the economy is going into a recession—people don't have as much spending power.

Let's now examine current bank data, and this is a difficult situation (see Table 9). This October isn't the first time that the Federal Reserve did something dramatic. They tried to do something of the sort back in November 1978, and the consequence of the Fed's actions then was a significant decline in loans. From the beginning of 1978 to the third quarter of 1979 in Kansas, loans increased about 16.4 percent, which is slightly less than the rate of inflation; therefore, loans are not really growing during this period. In terms of demand deposits, the growth is, in fact, negative. Of course, there's been substantial growth in time deposits as funds have been shifted out of demand and into time deposits.

We can expect that the Wichita price increase is as rapid or more rapid than Kansas City's and that in the State's rural areas, especially those located some distance from metropolitan areas, the price index rises more rapidly than in Kansas City.

The savings and loan situation is even bleaker (see Table 10). Look at the trend of mortgage loans from the second quarter of 1978 to the third quarter of 1979. Look especially at that decline in the first quarter of 1979. Every month since November 1978, except April 1979, had a smaller volume of loans made than the same month a year earlier. So, a nearly uninterrupted pattern of decline for loans is what occurred through all 1979. Further, note what happened in terms of savings and loan deposits. There were some months in which there was net outflow of funds from these institutions, but the overall lack of growth in new savings foretold the difficulty that the housing market is in today. What these numbers reveal is that the difficulties in the housing market started before October or November of 1978 and that the housing market difficulty should have been anticipated considerably before that time.

Table 10

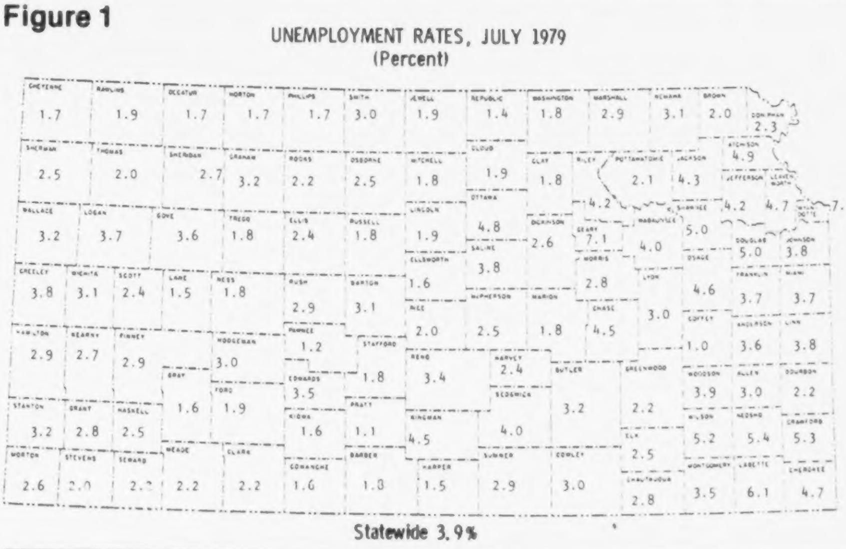
Selected Savings and Loan Association Data (Monthly Average, Millions)

	Mortgage Loans Made	Net New Savings
I-78	$ 94.8	$46.3
II-78	149.0	35.0
III-78	135.3	43.7
IV-78	133.6	40.5
I-79	79.3	62.1
II-79	133.8	17.0
III-79	107.5	24.2

Look next at the unemployment situation in Kansas (see Figure 1). The most current data for July 1979 show that along the Kaw River Valley unemployment rates were 5.0, 6.0, and 7.0 percent and that down in the southeast they were in the 5.0's and 6.0's. Sedgwick County is in good shape at 4.0 percent, about the State average. Along the northern tier of counties and in the central part of the State, unemployment rates are well below 2.0 percent. On the other hand, in areas where employment growth seems to be fairly rapid, unemployment is still high. This condition applies in the northeast but not, of course, in the southeast.

As a final indicator of the Kansas economy, let us look at retail sales across the State. Kansas had a 14 percent growth in sales for this fiscal year—with clearly superior growth in manufacturing, in professional services, and in building supplies sales. However, there was weakness in general merchandise and apparel sales. On a regional basis, the data show that the statewide increase of 14 percent was only exceeded in two planning regions of the State: in Region 1, Johnson and Wyandotte counties and the other counties in the east, and in Region 4, the area around Sedgwick County. In Johnson County alone, retail sales increased by 33 percent and in Sedgwick County by 16 percent. On this basis, it's interesting to note that the increase in sales in Johnson and Sedgwick counties represents 43 percent of the total increase in retail sales for the State as a whole. Thus, these retail sales data show the same kind of picture as does employment data. There are two areas of Kansas that are doing well; there is a lot of Kansas that doesn't seem to be sharing in that well-being.

Figure 1



The Kansas Economy

By Jarvin Emerson

I would like to begin my review of the Kansas economy and the outlook for 1980 by reading a couple of paragraphs from the front page story in yesterday's *Wall Street Journal*. I think that this piece establishes the general tenor of the kind of situation we seem to be in. The article starts this way: "Has the economy entered a recession? Maybe yes or maybe no. Maybe a recession began last spring, or maybe one won't start until next year. Confusion abounds among people who make a living trying to tell others just where the economy stands. Most business analysts agree that a recession is somewhere in the neighborhood. But there is much uncertainty over the exact location. Comfortably ensconced in the house, knocking at the door, or trudging slowly up the pathway? The arbiter when recessions begin and end—the National Bureau of Economic Research—has just cancelled a news conference at which its analysts had planned to tell reporters where the economy stands. After meeting privately a few days ago, a National Bureau of economists explains, 'We concluded that the data are so contradictory that it's hard to say where we do stand.'"

With that general outlook from *The Wall Street Journal* in mind, I will try to describe for you just a little bit of what is going on in the State economy with a brief overview of the national economy. Since Dr. Daicoff has thoroughly reviewed the national outlook, I will simply look at a few numbers that suggest what I anticipate is going to happen yet in 1979 and how I think the final 1979 major performance numbers of the national economy will appear once we economists and statisticians go through a variety of revisions with the data. Indeed, there was a brief time when I thought I would entitle my speech today "Subject to Revision."

In Table 1, we see four numbers that attempt to represent our best estimate of the way in which 1979 has performed and will continue to perform. An evaluation of the 1979 economy is, as I've tried to indicate, a matter of trying to forecast not only the performance of the economy but also of trying to forecast the magnitude and number of revisions that are likely to occur. First of all, for the year as a whole, what I anticipate is a very moderate real growth in GNP of about 1.6 percent. The inflation rate, as identified in Table 1, is probably somewhat higher than the ones you have seen and, in fact, is somewhat higher than those that were reported recently. We may come in with an annual average rate of inflation that is somewhere between 12 and 13 percent for the consumer price index. As you may be aware from the news releases in the last few months, it has been running 13 percent or better, and this rate coupled with further revisions may mean that the inflation rate will be running about 12.5 percent. This figure contrasts to the forecasts that were made only about a month ago that indicated it would be somewhere around 11 percent. Personal income growth for the U.S. is estimated to be about 11.6 percent; the unemployment rate about 5.9 percent.

These national figures provide some background for the four indexes of the Kansas economy, and I will expand on each in a moment. First, as seen in Table 2, gross State product, which is the sum total of all new goods and services produced in the State in 1979, will increase at about a 14.7 percent rate. Personal income for the State forecast (and, again, this is still a *forecast* because we are still in 1979) will increase at a rate of about 14.5 percent. Overall employment growth should experience a relatively robust increase of 3.0 percent, and the unemployment rate should average for the year at about 3.1 percent.

Now, I want to look at these numbers in greater detail. Kansas personal income for 1978 was about 18.5 billion dollars. The forecast that we currently have for 1979 indicates that wages and salaries will rise at about 14.5 percent. A combination of influences accounts for this expected increase (see Table 3). First there is the anticipated 3.0 percent increase in total employment; second, general wages and salaries have increased so far in 1979 on a unit basis; and, third, there were significant overtime payments during parts of the year in a few of the key industries. Looking a little more closely at these influences, my expectation for 1979 is that farm income will go up somewhere in the neighborhood of 25 percent. Of course, as we keep getting more and more data in, I may change my mind a little bit on that estimate, but there is little question that the number will be positive and some certainty that the number will be relatively

Table 1

Forecast of Major U.S. Economic Trends—1979

Indicators	Percent
GNP (constant dollars) Growth	1.6
Inflation Rate (annual average), CPI	12.5
Personal Income Growth	11.6
Unemployment Rate	5.9

Table 2

Forecast of Major Kansas Economic Trends—1979

Indicators	Percent
Gross State Product (current dollars) Growth	14.7
Personal Income Growth	14.5
Employment Growth	3.0
Unemployment Rate	3.1

large. Looking elsewhere, we should see fairly significant increases in the category of property income, dividends, interest, rent, and royalties—all expected to rise by over 17 percent, mostly on the basis of interest received. Transfer payments are forecast to be up a little bit but to be less than the average for the other categories. Social insurance contributions should increase by about 19 percent in 1979. You all are aware, or will become aware if you aren't already, that you are going to be paying significantly more in social security contributions in 1979 than you did in 1978 because both the rate and the maximum were raised. The total effect of these influences on Kansas personal income should be an increase of about 14.5 percent for 1979, an increase which is more substantial than the predicted average for the national economy and is at least at the average for states in our area if not above it.

Taking another long-term perspective on Kansas personal income, we can discuss how the changes in Kansas personal income have tracked with regard to the national economy. At the beginning of the period from 1958-1978, it looked like Kansas was moving in the opposite direction of the national economy. Then, for the period of the 1960s, Kansas seemed to mirror the national growth rate. However, in the early 1970s, Kansas had substantial increases in farm income along with increases in some other sectors, and the national economy's growth rate was substantially below that for the State. This pattern continues throughout 1978 wherein the Kansas growth rate once again exceeded the national economy.

A more recent pattern is revealed when we consider the way in which Kansas personal income has increased on a quarterly basis according to U.S. Department of Commerce estimates from 1977 through the first quarter 1979. The figures describe a fairly generally upward pattern with no quarters of negative income growth in current dollar terms, and the degree of growth for the State exceeds that for the nation.

In terms of the growth in personal income, my anticipation is that the slowdown in the national economy will affect the Kansas economy but to a somewhat lesser extent than most other parts of the country.

I now want to look in greater detail at the State's employment situation based on the estimates that we have to date, and I also want to make one comment about these estimates. The most current and accurate detailed data that we have for the performance of the Kansas economy in respect to the employment data comes from the Research and Analysis Section of the Division of Staff Services, the Kansas Department of Human Resources. In addition to their regular tabulations, Fred Rice and his staff provided some special tabulations for this presentation today for which I am very grateful. However, any misinterpretation or any forecasts or estimates that are made from that data are my responsibility alone. First of all, the employed civilian work force will probably increase by about 3.0 percent, as I've already indicated, but agricultural employment is estimated to decline by 2.6 percent which represents a pretty standard kind of pattern for that industry. The manufacturing employment monthly average should increase somewhere in the neighborhood of 8.1 percent. I think that most of this increase will be in the general category of durable goods, primarily transportation equipment manufacturing, and I will take a further look at that figure in a few moments. In contract construction, employment is forecast to increase by about 7.5 percent over the year on an average monthly basis—a surprising rate in light of the housing situation. Employment in services should rise by about 4.6 percent, and governmental employment should decline slightly, about 1.1 percent.

When we compare the 1978 and 1979 State employment figures, we see that the unemployment rate was relatively low in 1978 and even lower in 1979. Manufacturing employment, as I have mentioned, will be up substantially over the year. More specifically, employment in food and kindred product manufacturing will rise moderately over the 1978 number. Employment in meat products manufacturing and in dairy product manufacturing is expected to be a little bit higher. Grain mill products manufacturing employment should show relatively small change. Employment in transportation equipment manufacturing is expected to experience a very substantial increase over the year despite the problems in the automobile manufacturing category in 1979: declining automobile sales and, in the Kansas City area, a seriously declining roof at the G.M. plant. The major influence in this general category is the aircraft manufacturing component which continues to expand very dramatically. This increase in employment will more than offset the other declines in the category and accounts for my forecast for the substantial increase that I noted earlier. Contract construction employment in 1979 should also be up substantially. Finance, insurance, and

Table 3

Kansas Personal Income Forecast—1978-1979 (millions of dollars)

	1978	1979	% Change 1978-1979
Wages and Salaries	10,436	11,950	14.5
Other Labor Income	1,041	1,207	15.9
Proprietor's Income			
Farm	760	950	25.0
Nonfarm	1,239	1,349	8.9
Dividends, Interest, Rent, Royalties	2,808	3,291	17.2
Transfer Payments	2,155	2,405	11.6
Residence Adjustment	800	913	14.1
—Social Insurance Contributions	– 734	– 873	19.0
Total	18,505	21,192	14.5

real estate employment should increase moderately over the year; employment in wholesale and retail trade should parallel the general expansion in both State income and employment but be up a little less than it has been in previous years. Services and industry continues to exhibit relatively strong employment growth in the State and will probably increase fairly significantly over the year. The last major component of total State employment is government. The slight decline, particularly early in 1979 as compared to the 1978 numbers, suggests a pattern that must be somewhat different from the national pattern.

The next economic indicator for the State that I want to look at is the performance of the major labor market areas in order that those of you who have come from various parts of Kansas can get some kind of feel for what has been going on in your particular community. Again, I have data essentially through September. Employment in Atchison and Leavenworth was up moderately for the year, and Salina also had relatively moderate growth. Pittsburg remained pretty much the same as a year ago. Employment in the Kansas City portion of the standard metropolitan statistical area—essentially Johnson and Wyandotte counties—was a major component of the employment growth in the State. Hutchinson was just slightly above 1978; Great Bend had a slight increase over the year. Topeka's employment experienced a small increase compared with 1978. Parsons was a little bit down in terms of employment levels in 1979. Coffeyville started out the year running above 1978 and then, more recently, has been running behind the employment pattern of a year ago. The second major growth area in terms of employment in the State—the Wichita, Butler, and Sedgwick area—had a substantial increase in employment in 1979 compared to 1978 primarily because of the growth in the aircraft industry. Lawrence had a relatively substantial employment increase in 1979 over 1978. McPherson's employment was about the same as a year ago; Concordia experienced a slight increase. Hays was about the same as a year ago. Garden City registered a slight increase and seems to be a community that is headed for more growth and then maybe some problems. The Goodland area recorded a slight decline in employment over the year; Dodge City a moderate increase. Emporia and Newton were pretty much the same as a year earlier, and Manhattan had a moderate increase over the year.

This quick review of the State's major labor markets concludes my look at the Kansas economy in 1979, and now I want to look ahead to 1980. Using the same four indicators that I started out with, I will share with you what I think is likely to occur in the United States economy (see Table 4). Probably my outlook is a bit more optimistic than Dr. Daicoff's in this particular regard. I foresee real growth GNP as basically zero to a two-tenths of a percent growth as compared with his forecast which, as I recall, was negative. I also anticipate that the inflation rate will slow down somewhat from what it will be for 1979, at least as measured in terms of the consumer price index, and that personal income growth may turn out to be roughly close to the inflation level. Lastly, I forecast the unemployment rate rising from 5.9 to 7.2 percent.

For the Kansas economy, using the same four indicators (see Table 5), I expect a situation wherein gross State product will reflect some of the national slowdown because Kansas does sell a significant portion of its goods and services outside the State and country: as compared to about a 14.7 percent increase in 1979, the 1980 forecast shows about 12 percent. In terms of the growth in personal income, my anticipation is that the slowdown in the national economy will affect the Kansas economy but to a somewhat lesser extent than most other parts of the country. Similarly, I foresee the employment growth rate, as compared to 3.0 percent this current year, coming in at about 1.8 percent, with the unemployment rate rising moderately to 3.4 percent.

In terms of the major categories of personal income, what I have for a forecast is wage and salary growth slowing down in 1980 to just slightly over 10 percent. Other labor income should rise just a little bit more than that. I also anticipate continuation of the increase in net farm income, but this general forecast is conditioned by the fact that international markets are still relatively strong and by the expectation that they should remain so through 1980 and possibly into 1981 before some of the international market softens. I believe that there are enough built-up demands currently in the international agricultural market that this strength will continue for this period of time. Interest rates should remain fairly high, and transfer payments should go up somewhat over this year as the economy softens a bit. In 1980, the decline in social insurance contributions, depending on whether we get some changes in the law, will probably take away about 8.0 percent from the hefty 19 percent rise in personal income that we will see in 1979.

Whereas the Kansas economy grew significantly more rapidly than the national economy in 1979, the general outlook for the State economy in 1980 is that it will slow down but at a rate still less than the national economy. The reason for Kansas' relative economic strength is that some of the major industries that are propelling our current growth are relatively immune from what we might call aggregate or total demand in the national economy. However, I am reminded again of my opening reflections on how the National Bureau of Economic Research responded when confronted with the responsibility of summarizing what is going on and what is likely to go on in the economy—they just decided not to do it. Maybe if we come back next year, someone will remind me that I should not have done it this year.

Table 4

Forecast of Major U.S. Economic Trends—1980

Indicators	**Percent**
GNP (constant dollars) Growth	0.2
Inflation Rate (annual average), CPI	10.1
Personal Income Growth	10.2
Unemployment Rate	7.2

Table 5

Forecast of Major Kansas Economic Trends—1980

Indicators	**Percent**
Gross State Product (current dollars) Growth	12.0
Personal Income Growth	11.9
Employment Growth	1.8
Unemployment Rate	3.4

Kansas in October

General Business

The surprising strength shown by the national economy during the third quarter of 1979—GNP grew by more than three percent on an annual basis—seems to be carrying over into the fourth quarter of 1979 which is also expected to show positive growth. In fact, a strong possibility exists that the long expected—and predicted—recession may not develop in 1980 either. Instead, a period of slow growth, but not negative growth, is now being considered as a forecast for 1980. This forecast implies a slow rise in the unemployment rate, an absence of growth in real wages, and some moderation in the rate of inflation. Some particular sectors of the economy—for example housing construction and automobile production—are expected to have a poor year in 1980, but their problems should not significantly affect the whole economy.

The Kansas economy continues to experience greater strength through the fall of 1979 than did the national economy. A review of the data provided by the Research and Analysis Section of the Kansas Department of Human Resources reveals that total nonfarm wage and salary employment by place of work in Kansas increased 0.5 percent in October and was 3.9 percent above the level of a year ago. For the quarter ending in October 1979, initial claims for unemployment insurance were down 6.1 percent from the same period a year ago. At the same time, the average work week has been slightly lower for the last few months than for the same months a year ago. Average weekly earnings for manufacturing increased 1.6 percent in October, and they have increased 9.4 percent in the last six months. But when compared to the level of a year ago, they are up only 11.6 percent, falling, therefore, somewhat below the rate of inflation for the year. In general, these data indicate that Kansas is following the national pattern: wages are increasing slower than prices, overtime is being cut back, and the number of employed persons is increasing fast enough to keep the unemployment rate stable. Given the increase in manufacturing productivity, the result of all these factors is higher manufacturing profits relative to the rise in wages and salaries. (See Table I.)

Employment

A detailed look at the employment data provided by the Research and Analysis Section of the Kansas Department of Human Resources discloses how evenly balanced the growth in Kansas employment has been in October. Of the ten major industries, six showed a growth of employment in October, and only one, contract construction with its seasonal variation, had a decline of more than 0.6 percent in employment. When October 1979 is compared to October 1978, all of the major industries experienced growth in employment. Two particular industries stand out in their employment growth over the last year—contract construction and aircraft production.

Statewide in October, the civilian labor force declined slightly as did the number of employed persons. Of course, farm employment dropped substantially in October. The number of unemployed persons increased, resulting in a 0.1 percent increase in the unemployment rate. Compared to a year ago, the size of the civilian labor force and the number of employed persons is up 3.1 percent, but the unemployment rate is also up slightly (less than 0.1 percent). (See Table II.)

Regional Employment

The regional employment figures available for October indicate that only two areas, the Lawrence and Wichita SMSAs, experienced a greater rate of growth in the number of employed persons than the State in the last year. However, only two areas, the Kansas portion of the Kansas City SMSA and the Topeka SMSA, had an increase in their unemployment rate from a year ago. As with the State, all areas except the Kansas portion of the Kansas City SMSA experienced a decline in farm employment. (See Table III.)

Retail Sales (for September)

The monthly average for total retail sales based on the retail sales tax for the quarter ending in September was up 5.3 percent over the monthly average for the preceding three-month period. Although 5.3 percent is a significant increase in retail sales, this 5.3 percent—due to the exemption of residential housing from the retail sales tax on public utilities which began July 1, 1979—underestimates the increase in retail sales during the last quarter. If the estimate for public utility sales is ignored, then retail sales during this three-month period rose 11.3 percent—more than three times the inflation rate. Of the twelve major categories of retail sales, only public utility sales had a decline over this period of time.

However, when the quarter ending in September of 1979 is compared with the quarter ending in September of 1978, a different picture emerges. Six of the twelve major categories of retail sales had declines during this period, and total retail sales grew by only 0.7 percent. Even if retail sales for public utilities are ignored, total retail sales still only grew 1.5 percent during this period which, in fact, represents a decline, in real terms adjusted for inflation, of more than 10 percent in retail sales. (See Table IV.)

County Retail Sales (for September)

The summer surge in retail sales is clearly documented by the county figures for the three-month period ending with September 1979. Of the State's 105 counties, only five experienced a decline in sales. Sixty-nine counties registered double-digit increases: sales in Sheridan County rose more than 40 percent, Greeley County sales increased by over 30 percent, and the remaining 67 counties recorded sales increase between 10 and 20 percent. This period of dramatic growth in summer sales followed the striking slump in the spring of 1979, and this pattern is consistent with the economic history of the State in recent years.

When the September quarter of 1979 is compared to the same quarter a year ago, only 59 counties record increases in retail sales, and, of these, only eight had increases sufficiently large to either offset or exceed the yearly rate of inflation. Therefore, this county data confirms and further dramatizes the interpretation of the statewide data mentioned above: in real terms adjusted for inflation, retail sales in Kansas from September 1978 to September 1979 fell far behind the rate of inflation. (See Table V.)

Farm Prices

The prices Kansas farmers received for corn, sorghum, and soybeans declined in October for the third straight month. Soybeans had the most severe decline in price: a drop of 10.4 percent from September and an 18.2 percent drop since July. The price received for hay remained the same in October, and the price received for wheat rose for the second month in a row.

Except for the price of milk, all of the prices Kansas farmers received for livestock and livestock products declined in October. The greatest decline was for hog prices which fell nearly 10 percent. For the last year, hog prices have fallen nearly every month.

However, the prices Kansas farmers received both for field crops and for livestock and livestock products are significantly above those of a year ago except for soybean and hog prices. The two products showing the greatest increase in price are wheat, up 31.2 percent, and sheep, up 62.6 percent.

In contrast to the trend in prices received by Kansas farmers, the prices paid by Kansas farmers all increased or remained the same in October, and, compared to a year ago, all are up more than 12 percent. (See Table VI.)

Financial Activity

The Federal Reserve's tight money policy seems to have influenced Kansas banking activity in October. Loans statewide fell 4.3 percent in October, and the loan-to-deposit ratio fell dramatically. Only Kansas City, Kansas among the regional banking centers experienced a growth in loans in October, and all of the regional banking centers had a drop in their loan-to-deposit ratios. In fact, Wichita and Topeka had a drop greater than the dramatic statewide decline. (See Table VII.)

The savings and loan data for October show an increase of 21.7 percent in mortgage loans made; however, compared to a year ago, mortgage loans made were down 13.7 percent. This decline over the year is consistent with the pattern mortgage loans made have set for the past ten months. The large drop in net new savings made is primarily the result of the quarterly

TABLE I
GENERAL BUSINESS INDICATORS

	Oct. 1979	Sept. 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1978
Manufacturing					
Average Work Week (hrs.)	41.00	41.30	– 0.70	40.70	40.70
Average Weekly Earnings (dollars)	287.41	282.90	1.60	272.22	240.99
Initial Claims for					
Unemployment Insurance	6,994.00	4,815.00	45.30	7,624.00	8,082.00
New Incorporations					
In-State for Profit	427.00	319.00	33.90	381.00	336.00
Out-of-State for Profit	107.00	94.00	13.80	92.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Oct. 1979	Sept. 1979	% change	Oct. 1978	% change
All Industries	958.4	953.2	0.5	922.6	3.9
Manufacturing	198.5	195.9	1.3	188.8	5.1
Durable Goods	131.2	128.0	2.5	121.9	7.6
Stone, Clay, Glass	10.3	10.4	– 1.0	9.8	5.1
Primary Metals	4.0	4.0	0.0	3.9	2.6
Fabricated Metal Products	13.9	14.0	– 0.7	14.0	– 0.7
Machinery (incl. elec.)	34.5	34.3	0.6	28.6	20.6
Transportation Equipment	55.2	51.9	6.4	52.1	6.0
Aircraft & Parts	47.9	47.2	1.5	40.8	17.4
Other Durable Goods	13.3	13.4	– 0.7	13.5	– 1.5
Nondurable Goods	67.3	67.9	– 0.9	66.9	0.6
Food & Kindred Products	24.1	24.0	0.4	23.3	3.4
Meat Products	9.3	9.3	0.0	8.5	9.4
Apparel	3.5	3.5	0.0	3.8	– 7.9
Printing & Publishing	15.7	16.2	– 3.1	15.3	2.6
Chemicals	8.5	8.4	1.2	8.3	2.4
Petroleum & Coal	4.8	4.8	0.0	4.6	4.3
Other Nondurable	10.7	11.0	– 2.7	11.6	– 7.8
Mining	13.4	13.4	0.0	12.9	3.9
Oil & Gas Extraction	10.9	11.0	– 0.9	10.6	2.8
Contract Construction	56.0	56.9	– 1.6	50.4	11.1
Trans., Comm., Elec., Gas	68.0	66.4	2.4	63.6	6.9
Wholesale Trade	62.4	62.1	0.5	61.6	1.3
Retail Trade	164.4	164.4	0.0	160.4	2.5
Finance, Insurance, Real Estate	47.3	47.4	– 0.2	45.3	4.4
Services	165.8	166.8	– 0.6	158.0	4.9
Federal Government	25.7	25.8	– 0.4	25.7	0.0
State & Local Government	156.9	154.1	1.8	155.9	0.6

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

crediting to deposit accounts of interest payments in September. (See Table VIII.)

Consumer Prices

Kansas City, Kansas consumer prices increased 2.4 percent from August 1979 to October 1979 and were 16.7 percent higher in October 1979 than a year ago. Both increases exceeded those for the nation during equivalent time periods. All of the major consumption categories registered increases in the two-month period ending in October, with housing prices the leader with a 4.0 percent increase. The other bimonthly increases ranged from a 2.8 percent rise in entertainment prices to an 0.2 percent rise in the costs for apparel and upkeep and for food and beverages. Not surprisingly, housing prices also experienced the largest increase over the year—in excess of 22 percent. Transportation costs followed as the second greatest increase with an 18.4 percent rise: private transportation prices rose 18.9 percent whereas public transportation rose by only 7.2 percent. Medical care and personal care prices also registered double-digit increases (10.1 percent and 11.4 percent, respectively), and all of the remaining categories recorded increases in a range from 8.3 percent in both food and beverage prices and other goods and services prices to 5.9 percent for entertainment. (See Table IX.)

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Oct. 1979	Sept. 1979	% change	Oct. 1978	% change
Kansas—Statewide					
Civilian Labor Force	1,219,000	1,220,100	– 0.1	1,182,000	3.1
Employed	1,185,200	1,186,600	– 0.1	1,150,100	3.1
Farm	68,300	72,600	– 5.9	69,800	– 2.1
Non-Farm	1,116,900	1,115,800	0.1	1,080,300	3.4
Unemployed	33,800	33,500	0.9	31,900	6.0
Rate	2.8%	2.7%		2.7%	
Lawrence SMSA					
Civilian Labor Force	34,800	34,400	1.2	32,700	6.4
Employed	33,800	33,400	1.2	31,700	6.6
Farm	900	900	0.0	900	0.0
Non-Farm	32,900	32,500	1.2	30,800	6.8
Unemployed	1,000	1,000	0.0	1,000	0.0
Rate	2.9%	2.9%		3.1%	
Kansas portion of Kansas City SMSA					
Civilian Labor Force	266,300	265,000	0.5	258,900	2.9
Employed	257,000	255,300	0.7	250,600	2.6
Farm	1,500	1,600	– 6.3	1,600	– 6.3
Non-Farm	255,500	253,700	0.7	249,000	2.6
Unemployed	9,300	9,700	– 4.1	8,300	12.0
Rate	3.5%	3.7%		3.2%	
Topeka SMSA					
Civilian Labor Force	94,000	94,200	– 0.2	92,600	1.5
Employed	90,600	91,200	– 0.7	89,400	1.3
Farm	2,000	2,100	– 4.8	2,100	– 4.8
Non-Farm	88,600	89,100	– 0.6	87,300	1.5
Unemployed	3,400	3,000	13.3	3,200	6.3
Rate	3.6%	3.2%		3.5%	
Wichita SMSA					
Civilian Labor Force	226,100	224,500	0.7	211,900	6.7
Employed	220,400	218,900	0.7	205,700	7.1
Farm	2,800	2,900	– 3.4	2,600	7.7
Non-Farm	217,600	216,000	0.7	203,100	7.1
Unemployed	5,700	5,600	1.8	6,200	– 8.1
Rate	2.5%	2.5%		2.9%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Oct. 1979	Aug. 1979	% change	Oct. 1978	% change
Barton Co.—Great Bend Area					
Data Not Available					
Crawford Co.—Pittsburg Area					
Data Not Available					
Lyon Co.—Emporia Area					
Civilian Labor Force	18,150	17,250	5.2	17,725	2.4
Employed	17,775	16,850	5.5	17,325	2.6
Farm	900	1,000	- 10.0	925	- 2.7
Non-Farm	16,875	15,850	6.5	16,400	2.9
Unemployed	375	400	- 6.3	400	- 6.3
Rate	2.1%	2.3%		2.3%	
Montgomery Co.—Coffeyville Area					
Data Not Available					
Reno Co.—Hutchinson Area					
Data Not Available					
Riley Co.—Manhattan Area					
Civilian Labor Force	21,875	19,800	10.5	21,350	2.5
Employed	21,325	19,250	10.8	20,800	2.5
Farm	1,150	1,275	- 9.8	1,175	- 2.1
Non-Farm	20,175	17,925	12.6	19,625	2.8
Unemployed	550	550	0.0	550	0.0
Rate	2.5%	2.8%		2.6%	
Saline Co.—Salina Area					
Data Not Available					

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Sept. * 1979	June * 1979	% change	Sept. * 1978	% change
Apparel	24.0	22.7	5.7	24.7	– 2.8
Automotive	200.7	196.5	2.1	212.1	– 5.4
Food	227.3	208.4	9.1	213.5	6.5
Furniture	39.2	36.9	6.2	39.4	– 0.5
General Merchandise	137.1	116.8	17.4	130.3	5.2
Lumber and Building Materials	92.8	72.2	28.5	91.9	1.0
Professional and Personal Service	38.0	33.0	15.2	36.4	4.4
Public Utilities	69.8	112.0	– 37.7	77.2	– 9.6
Unclassified	94.3	87.2	8.1	94.6	– 0.3
Farm and Garden Products	0.9	0.9	0.0	0.7	28.6
Manufacturing and Trading	71.8	59.8	20.1	67.4	6.5
Miscellaneous	2.2	1.6	37.5	3.3	– 33.3
Total	998.1	948.0	5.3	991.5	0.7

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Sept. 1979	Sales * June 1979	Change From June 1979 (%)	Sales * Sept. 1978	Change From Sept. 1978 (%)
Allen	4,876	4,737	2.9	5,167	– 5.6
Anderson	2,396	2,226	7.6	2,362	1.4
Atchison	4,503	4,480	0.5	4,697	– 4.1
Barber	2,506	2,160	16.0	2,404	4.2
Barton	22,248	18,922	17.6	22,021	1.0
Bourbon	5,384	5,073	6.1	5,173	4.1
Brown	3,271	3,036	7.7	3,427	– 4.6
Butler	14,264	11,186	27.5	13,397	6.5
Chase	651	688	– 5.4	664	– 2.0
Chautauqua	1,119	933	19.9	977	14.5
Cherokee	4,156	3,773	10.2	4,261	– 2.5
Cheyenne	1,307	1,161	12.6	1,331	– 1.8
Clark	575	529	8.7	604	– 4.8
Clay	3,336	2,897	15.2	3,262	2.3
Cloud	4,225	3,879	8.9	4,420	– 4.4
Coffey	2,201	1,921	14.6	2,194	0.3
Comanche	660	536	23.1	583	13.2
Cowley	12,558	11,166	12.5	12,299	2.1
Crawford	12,103	10,733	12.8	10,902	11.0
Decatur	1,560	1,358	14.9	1,590	– 1.9
Dickinson	5,996	5,147	16.5	5,776	3.8
Doniphan	1,955	1,691	15.6	1,757	11.3
Douglas	21,165	19,998	5.8	21,691	– 2.4
Edwards	969	908	6.7	1,056	– 8.2
Elk	630	679	– 7.2	744	– 15.3
Ellis	12,521	11,143	12.4	12,948	– 3.3
Ellsworth	2,028	1,607	26.2	1,734	17.0
Finney	15,235	13,099	16.3	14,055	8.4
Ford	14,398	12,112	18.9	13,491	6.7
Franklin	6,642	6,069	9.4	6,505	2.1
Geary	8,330	7,863	5.9	8,549	– 2.6
Gove	1,215	1,209	0.5	1,545	– 21.4
Graham	1,709	1,414	20.9	1,511	13.1
Grant	3,472	2,759	25.8	3,385	2.6
Gray	1,903	1,480	28.6	1,670	14.0
Greeley	698	509	37.1	568	22.9
Greenwood	2,754	2,173	26.7	2,734	0.7
Hamilton	870	687	26.6	864	0.7
Harper	2,841	2,491	14.1	2,685	5.8
Harvey	8,720	8,103	7.6	8,665	0.6
Haskell	1,064	940	13.2	1,120	– 5.0
Hodgeman	399	383	4.2	406	– 1.7
Jackson	2,097	2,259	– 7.2	2,455	– 14.6
Jefferson	2,925	2,366	23.6	2,889	1.2
Jewell	902	943	– 4.3	951	– 5.2
Johnson	112,585	104,104	8.1	110,318	2.1
Kearny	651	732	– 11.1	720	– 9.6
Kingman	2,431	2,124	14.5	2,256	7.8
Kiowa	1,296	1,136	14.1	1,260	2.9
Labette	7,507	7,011	7.1	7,545	– 0.5
Lane	829	682	21.6	815	1.7
Leavenworth	11,356	10,519	8.0	11,958	– 5.0
Lincoln	1,219	981	24.3	1,159	5.2

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* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Sept. 1979	Sales * June 1979	Change From June 1979 (%)	Sales * Sept. 1978	Change From Sept. 1978 (%)
Linn	1,851	1,554	19.1	1,844	0.4
Logan	1,800	1,445	24.6	1,766	1.9
Lyon	12,285	11,988	2.5	12,311	– 0.2
McPherson	9,715	8,733	11.2	9,626	0.9
Marion	3,553	3,289	8.0	3,857	– 7.9
Marshall	3,905	3,707	5.3	3,829	2.0
Meade	1,286	1,239	3.8	1,276	0.8
Miami	5,397	4,711	14.6	5,326	1.3
Mitchell	3,516	3,051	15.2	3,499	0.5
Montgomery	14,868	13,488	10.2	14,599	1.8
Morris	1,409	1,215	16.0	1,595	– 11.7
Morton	1,094	1,035	5.7	1,159	– 5.6
Nemaha	3,152	2,644	19.2	3,225	– 2.3
Neosho	6,923	6,348	9.1	7,794	– 11.2
Ness	1,592	1,451	9.7	1,568	1.5
Norton	2,246	1,961	14.5	2,105	6.7
Osage	3,155	2,750	14.7	3,269	– 3.5
Osborne	1,759	1,625	8.2	1,912	– 8.0
Ottawa	1,255	1,073	17.0	1,232	1.9
Pawnee	3,153	2,702	16.7	3,213	– 1.9
Phillips	2,541	2,212	14.9	2,282	11.3
Pottawatomie	4,010	3,658	9.6	4,132	– 3.0
Pratt	5,129	4,314	18.9	4,834	6.1
Rawlins	1,011	836	20.9	1,047	– 3.4
Reno	27,841	24,738	12.5	27,575	1.0
Republic	2,333	2,091	11.6	2,190	6.5
Rice	3,127	2,973	5.2	3,298	– 5.2
Riley	14,383	13,535	6.3	15,170	– 5.2
Rooks	3,389	2,870	18.1	3,244	4.5
Rush	1,293	1,099	17.7	1,410	– 8.3
Russell	4,928	3,809	29.4	4,998	– 1.4
Saline	26,969	23,792	13.4	26,312	2.5
Scott	2,711	2,278	19.0	2,953	– 8.2
Sedgwick	182,221	167,078	9.1	169,923	7.2
Seward	11,429	10,082	13.4	10,899	4.9
Shawnee	72,997	63,984	14.1	68,694	6.3
Sheridan	1,368	970	41.0	1,488	– 8.1
Sherman	4,203	3,495	20.3	4,066	3.4
Smith	1,994	1,581	26.1	1,940	2.8
Stafford	1,585	1,385	14.4	1,573	0.8
Stanton	619	570	8.6	738	– 16.1
Stevens	1,575	1,293	21.8	1,519	3.7
Sumner	6,249	5,253	19.0	6,311	– 1.0
Thomas	4,786	3,808	25.7	4,808	– 0.5
Trego	1,425	1,281	11.2	1,632	– 12.7
Wabaunsee	1,152	986	16.8	1,128	2.1
Wallace	666	597	11.6	665	0.2
Washington	2,046	2,020	1.3	2,063	– 0.8
Wichita	941	873	7.8	993	– 5.2
Wilson	2,668	2,525	5.7	3,047	– 12.4
Woodson	1,064	870	22.3	1,040	2.3
Wyandotte	60,588	54,185	11.8	56,920	6.4

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Oct. 1979	Sept. 1979	% change	Oct. 1978	% change	Annual Avg. 1978
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.91	3.84	1.8	2.98	31.2	2.72
Corn (bu.)	2.52	2.54	– 0.8	2.17	16.1	2.21
Sorghum (cwt.)	3.84	3.95	– 2.8	3.34	15.0	3.29
Hay (ton)	47.00	47.00	0.0	45.00	4.4	40.88
Soybeans (bu.)	5.97	6.66	– 10.4	6.25	– 4.5	6.17
Livestock & Products						
Beef Cattle (cwt.)	65.60	68.20	– 3.8	56.30	16.5	50.72
Calves (cwt.)	83.60	89.80	– 6.9	67.90	23.1	58.78
Hogs (cwt.)	34.40	38.10	– 9.7	51.10	– 32.7	47.66
Lambs (cwt.)	64.60	66.70	– 3.1	59.50	8.6	59.47
Sheep (cwt.)	21.30	22.00	– 3.2	13.10	62.6	13.33
Milk (cwt.)	12.80	12.60	1.6	11.40	12.3	10.73
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.50	12.50	0.0	11.00	13.6	10.92
Bran (cwt.)	7.70	7.20	6.9	6.10	26.2	6.27
Beef Conc. (cwt.)	9.90	9.60	3.1	8.60	15.1	8.58
16% Dairy Feed (ton)	162.00	156.00	3.8	143.00	13.3	138.17
Hog Conc. (cwt.)	14.00	14.00	0.0	12.50	12.0	12.31
Laying Feed (ton)	187.00	185.00	1.1	165.00	13.3	160.08

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Oct. 1979	Sept. 1979	% change	Oct. 1978	% change
Kansas—Statewide					
Loans	7,517	7,858	– 4.3	7,027	7.0
Demand Deposits	4,018	3,940	2.0	3,841	4.6
Time & Saving Deposits	8,192	8,094	1.2	7,191	13.9
Loan-to-Deposit Ratio	61.6%	65.3%		63.7%	
Kansas City (Wyandotte)					
Loans	513	494	3.8	530	– 3.2
Demand Deposits	244	225	8.4	265	– 7.9
Time & Saving Deposits	566	540	4.8	511	10.8
Loan-to-Deposit Ratio	63.3%	64.6%		68.3%	
Topeka (Shawnee)					
Loans	486	516	– 5.8	442	10.0
Demand Deposits	294	286	2.8	289	1.7
Time & Saving Deposits	574	553	3.8	517	11.0
Loan-to-Deposit Ratio	56.0%	61.5%		54.8%	
Wichita (Sedgwick)					
Loans	1,184	1,250	– 5.3	1,116	6.1
Demand Deposits	794	758	4.7	698	13.8
Time & Saving Deposits	1,079	1,066	1.2	923	16.9
Loan-to-Deposit Ratio	63.2%	68.5%		68.8%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Oct. 1979	Sept. 1979	% change	Oct. 1978	% change
Net New Savings	24,254	55,737	– 56.5	33,708	– 28.0
Mortgage Loans Made	106,075	87,172	21.7	122,855	– 13.7

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, October 1979

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	229.9	2.4	16.7	227.9	2.2	15.6
Food and Beverages	235.7	0.2	8.3	230.4	0.3	6.8
Food	241.1	0.1	8.4	235.8	0.2	6.6
Food at home	233.7	0.4	6.5	229.4	0.4	4.6
Cereals & bakery products	232.0	2.4	12.4	232.5	4.8	10.5
Meats, poultry, fish, & eggs	221.8	0.1	4.7	221.7	-0.8	3.9
Meats, poultry, & fish	228.7	-0.3	5.2	227.9	-1.3	4.3
Dairy products	219.3	0.2	3.9	218.7	0.0	4.8
Fruits and vegetables	235.5	-0.8	5.8	219.3	-0.7	-0.9
Other foods at home	270.4	0.5	7.4	263.2	0.9	5.4
Food away from home	262.7	-0.3	12.3	255.2	-0.3	10.8
Alcoholic beverages	185.5	1.2	8.2	179.8	1.5	10.1
Housing	246.3	4.0	22.8	243.9	3.6	21.0
Rent residential	153.1	2.2	6.2	153.1	2.2	6.2
Homeownership	317.3	7.4	34.1	314.3	7.3	31.7
Fuel & other utilities	226.7	-6.4	12.2	227.9	-6.3	13.0
Gas (piped) & electricity	287.3	-9.8	17.0	287.3	-9.9	17.0
Household furnishings & oper.	186.2	2.3	5.6	183.2	0.8	3.7
Apparel & Upkeep	182.9	0.2	8.0	174.3	-0.1	1.6
Men's & boy's apparel	196.1	-0.2	11.9	194.7	0.4	6.6
Women's & girl's apparel	168.1	-1.5	6.3	150.0	-4.3	-7.7
Footwear	199.2	2.1	14.7	195.0	7.4	13.0
Transportation	218.7	1.0	18.4	220.0	0.9	19.0
Private transportation	221.0	0.9	18.9	222.3	0.9	19.5
Public transportation	170.6	3.1	7.2	169.4	2.7	6.3
Medical Care	240.4	2.3	10.1	241.8	2.5	12.4
Entertainment	175.9	2.8	5.9	183.2	6.2	11.6
Other Goods & Services	204.3	2.2	8.3	208.4	1.8	10.4
Personal Care	205.4	0.9	11.4	213.6	0.7	16.4
ALL ITEMS (1957-59 = 100)	272.9			270.6		

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The Quality of Work Life Movement
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Kansas in November

Business Highlights from Across the State

Institute for Economic and Business Research, The University of Kansas

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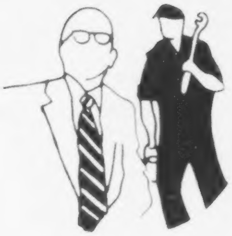
The Quality of Work Life Movement



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Satisfaction with work appears to be the best predictor of longevity—better than known medical or genetic factors—and various aspects of work account for much, if not most, of the factors associated with heart disease. (From *Work in America*[1])

The suspicions of some of the country's best-informed labor experts that job satisfaction among U.S. workers is on the downgrade have been amply confirmed in a newly released national survey on the quality of employment in the United States . . . the decline in job satisfaction between 1973 and 1977 has been pervasive, affecting virtually all demographic and occupational subclasses examined . . . particularly . . . among college graduates. (From *World of Work Report*[2])

There is a depressing decline in industrial productivity. The United States, having set the pace for the rest of the world through the 19th and much of the 20th century, now lags behind such nations as West Germany, France, and Japan in industrial efficiency. (Henry Steele Commager[3])

Introduction

For the last several years, the *Minneapolis Star Tribune* has had a formal system of worker participation in which a joint labor-management committee meets monthly to discuss anything except contractual issues. Initially the discussions were limited to complaints that the workers, who are members of the Twin Cities Newspaper Guild, had about working conditions, but the importance and scope of the subjects have increased very steadily over time, so that employees now exercise considerable influence on managerial decision-making. In fact, the committee has access to departmental budget figures which were previously a very closely guarded secret. Furthermore, the joint labor-management committee has complete authority over problems associated with technological change and its effect on the workplace. Perhaps the most impressive fact, however, is that when the decision was made to examine and completely restructure the *Star*, these changes were made with the full participation of the labor-management committee.[4]

Great Britain's multinational Imperial Chemical Industries has completed a massive work reorganization process involving 85 to 90 percent of the manual labor force—40,000 workers. Management-union consultation was carried on throughout the program. The restructuring project resulted in substantial job enlargement and enrichment and, at the same time, reduced absenteeism, labor turnover, and overtime.[5]

The United Automobile Workers union has been collaborating with General Motors and other companies in quality of work life programs for a decade. The UAW-Harmon International industries effort at the company plant in Bolivar, Tennessee is a major example. Worker-management committees at the shop-floor level design and implement work improvement projects. Significantly, savings in work time have been used by employees for various job training and educational purposes.[6]

In India, successful projects for the participative redesign of work systems and the enrichment of the quality of work life have been reported for many of India's public sector enterprises such as Bharat Heavy Electricals, the Life Insurance Company, and the Postal System.[7]

As a part of its program to improve the productivity and work satsifactions in its key industries, Norway's Work Research Institute in cooperation with the shipping industry, unions, and government has successfully experimented with the complete reorganization and redesign of a merchant ship to create a nonhierarchical, collaborative work, learning, and living system.[8]

As illustrated by these and many other examples, the past decade has witnessed a growing concern by organizations, unions, and the concerned public with the nature of work and its relation to human well-being. Basically, the development of the international quality of work life "movement" may be seen as a response to three of the major problems in the industrialized west. The first is a widespread and possibly growing disaffection and/or alienation of blue collar and white collar employees as well as many managerial personnel from their work and from the organizations in which they are employed. The second is the declining rate of growth in labor productivity in the face of energy shortages. The third is the growing recognition of the paramount role of the individual's "quality of work life" in physical and mental health as well as in family and community well-being. Private corporations, unions, government legislatures and agencies, university-based behavioral scientists, private foundations, and international organizations are all participating in this movement. The "movement" is, in a sense, a reform movement within the western industrial-capitalist system—a reform designed to reduce alienation, to increase the productivity-maintaining motivational involvement of the working population, and, at a public policy level, to enhance the health and well-being of the individual in Western society. Social scientist Paul S. Goodman echoed these views when he stated: "People are looking for new ways to structure jobs and to organize work in order to improve economic viability and to make work a more satisfying and rewarding experience for the worker."[9]

The past decade has witnessed a growing concern by organizations, unions, and the concerned public with the nature of work and its relation to human well-being.

Known by the term "Quality of Work Life," this widespread concern has been reflected in a virtual crazy-quilt collection of theoretical concepts and organizational intervention techniques. For example, the quality of work life rubric is applied with equal facility to all of the following kinds of change programs: job enrichment, participative decision making, management-by-objectives, sensitivity training, redesigned work layouts, profit sharing and employee ownership projects, and flex-time and other variations in working hours. A similarly diverse set of theories has been used to guide and explain activities related to this issue. Herzberg's motivator-hygiene theory provided the rationale for the American Telephone and Telegraph's pioneering experiment with job enrichment in its stockholder records office. The Wilson-Trist-Emery (the Tavistock group) socio-technical systems theory has guided many of the experiments in the redesign of work processes around the semi-autonomous work group concept as, for example, at the **General Foods pet food plant in Topeka** and the recent Rushton Mine experiment in Pennsylvania. Theories of participation associated with the work of Lewin, McGregor, and Likert have stimulated the growth of "organizational development" as a technology for changing the quality of human relationships in work organizations. More recently, newer theories of work motivation such as those of Vroom and Skinner have provided the rationale for different kinds of work improvement programs such as goal setting and new reward systems. In addition, there are, of course, the demands of employees themselves and the press of widely-held humanistic values for improvements in the quality of working life. Many of these theories and perspectives challenge the traditional assumptions and viewpoints of engineers and managers concerning the design and operation of work systems.

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Defining Quality of Work Life (QWL)

Despite the abundance of interest and activity, a single, well-developed definition of just what constitutes a high-quality working situation seems to be missing. One definition was given by a participant in an important quality of work life project, Margarte Barbee of the Jamestown Engine plant of the Cummins Engine Company. She said that "a typical QWL 'working philosophy' includes the following factors:

> **Trust:** a supportive work climate, effective interpersonal relationships, worker involvement in decisions which affect them;
>
> **Growth:** well-designed, 'complete' jobs, opportunities to learn and develop;
>
> **Equity:** reduction of status differentials, giving employees a stake in business outcomes; and
>
> **Excellence:** productivity, in both a quantitative and a qualitative sense."[10]

Richard Walton, one of the major interpreters of the quality of work life movement, has proposed eight major conceptual areas for understanding what this is all about: adequate and fair compensation, safe and healthy environment, development of human capacities, growth and security, social integration, constitutionalism, the total life space, and social relevance.[11] Some of the differences in definition lie in the different viewpoints of the different interpreters. Stanley Seashore, for example, has pointed out that much of the research and theorizing in the quality of work life area has been based primarily on the assumption that it is the individual's own personal satisfaction or dissatisfaction that defines the quality of his or her work rather than any "objective" criterion.[12] Hence, because of individual differences in culture, social class, family rearing, education, and personality, a wide range of human preferences exists, and any assessment of improvements in the quality of work life would be especially subject to these differences in personal expectations. In other words, one man's meat may be another man's poison.

Individuals do not, however, have completely unique sets of standards for evaluating the quality of the work setting. Groups of individuals share particular personal attributes which cause them to evaluate work in common, systematic, measurable, and predictable patterns. To be sure, one can expect that the salient concerns of industrial blue collar employees will differ in some degree from those of professional employees in legal, medical, or research and development roles. Thus, among other things, the nature of different occupations can be responsible for differences in evaluating the quality of the work situation. However, many investigators look beyond these differences between individual perspectives and differences in group membership to the study of those *common* expectations of employees and those *common* characteristics of job situations that determine the quality of work life. Numerous studies show that a relatively few environmental variables explain or account for about one half of the variability in job satisfaction, broadly defined, as measured across all categories of employees.[13] Therefore, it can be concluded that there are, in fact, systematic and universal characteristics of the work environment which yield high levels of satisfaction and well-being on the part of employees generally.

However, experienced satisfaction *per se* is only one element among the many factors involved in the quality of work life. And, although there may be agreement that additional factors other than job satisfaction determine the quality of a working situation, there is little consensus about what these are. Attempts to define the concept of quality of work life have, at times, emphasized only selective issues such as job security, wage equity, individuation, or workplace democracy. At other times, the list of qualifications, such as those outlined by Walton (above), have been much longer and more specific; however, there has been little agreement about priorities. When leaders of the National Center for Productivity and Quality of Working Life (now unfortunately defunct) met with representatives of the Work in America Institute, they could not agree in ranking productivity and workplace environment priorities. Despite this diversity and inconsistency, two central patterns for improving the quality of work life have emerged in the current scene. The first, represented by *job enrichment programs*, is the restructuring of the work itself so that the concrete tasks are more meaningful for the individual or the group. The second, represented by worker management committees and other forms of industrial "democracy," is the restructuring of the human relationships in the workplace in order to provide greater opportunity for *employee participation* in decision making processes. Historically, however, efforts to improve the quality of work life dealt with much more basic economic, health, and safety issues.

In the early twentieth century, legislative reforms were designed to regulate the worst abuses of the industrial system. Child labor laws were introduced. The Fair Labor Standards Act established the eight-hour day and the forty-hour week. Workmen's compensation laws not only provided protection for the job-injured employee but also helped to eliminate many hazardous working conditions. In the 1930s, the legitimization of collective bargaining through the Wagner Act became a legislative reality. Throughout this period, the union movement emphasized job security, due process in the workplace, and economic gains for the worker. Minimum wages were established by law. More recently, the Civil Rights Act of 1964 and the Occupational Safety and Health Act of 1970 addressed problems of equal employment opportunity and physical safety in the workplace. All of these reforms have had as their goal the regulation of business enterprise in such a manner as to protect and enhance the welfare of the working public. Meanwhile, social and organizational psychologists and other behavioral scientists were doing research on productivity and satisfaction and were designing experimental interventions to improve both performance and the quality of human relationships in industry.

It is important to recognize that the current and new programs to improve the quality of work life are based on these fundamental achievements of the past. One might say that the most fundamental problem of all is that of employment itself and that both law and policy are oriented to guarantee employment to all who wish it although the means by which full employment may be achieved are not at all clear. The new quality of work life movement goes beyond these fundamental issues to fulfill new expectations and aspirations. The restructuring of the work itself, the enhancement of opportunity for meaningful participation in the decision making process, and power sharing in the work constitute the unique features of this new effort. As a matter of fact, the new attitudes, values, and expectations of Americans are providing much of the stimulus to the quality of work life movement. Daniel Yankelovich asserts that what he labels the "new breed" now constitutes a majority of the American people.[14] This new breed almost universally wants and expects to hold a paid job, and "self-fulfillment" has supplanted material "success" as the major goal. The full impact of this new ethic and new value orientation is just now manifesting itself in the workplace. The desire for continuous learning and growth is already reflected in the enhanced opportunity for training and personal development in many of the quality of work life projects already underway.

Job Restructure

Restructuring the workplace and redesigning jobs is one of the two major thrusts of the quality of work life movement. Such changes have as their objective the enlargement or enrichment of the job tasks themselves so that employees may feel more involved in and challenged by the actual content of the work. Using a myriad of techniques, literally hundreds of companies in the United States and Europe have instituted such enrichment programs during the past two decades. Even so, only a small minority of companies in the United States have engaged in any systematic efforts along this line. Designing jobs so that the employee can be involved in an entire task and can use a wider variety of skills is a radical departure from the views which have dominated industrial thought. With the advent of the industrial revolution, the invention of interchangeable parts, and the spread of mass production methods, the notion of "scientific" management flourished. As articulated by many social historians, this notion argued that, in order to cut costs, increase volume, and realize the maximum return on investment, work must be analyzed by industrial engineers and time-study specialists and then simplified into its most elementary parts. An assembly line could then be designed which would contain tasks so simple that anyone could learn them quickly and perform them well. In addition, the tasks would be so repetitive that employees could be trained to work like "machines." These methods were, it should not be forgotten, immensely successful.[15] The values and attitudes of the "old breed" were not inconsistent with these methods of work management. Work was seen as a burden or sacrifice. Life was a struggle. Material "success" held priority over "self-fulfillment" in social values. This view of organizational efficiency gained a secure niche in the minds of organizational and industrial leaders and has remained virtually unchanged for years. It is within this context that we must view the current developments in the area of restructuring jobs.

The reasons for the development of these enrichment programs are many. To begin with, the philosophical basis of job redesign or enrichment is the assumption that employees—particularly nonmanagement employees—are capable of doing far more than is currently required or even allowed of them in their jobs and that the modern employee would like to have these unused resources utilized as evidenced in the American Telephone and Telegraph Company's successful "work itself" program. Studies have shown that, while fair pay, good benefits, and good working conditions are important, these job factors do not provide such crucial incentives in motivating people as does the challenge of the job itself. In fact, as noted above, a poor work situation can actually have a deleterious effect upon the individual's physical, psychological, and social well-being.

The evidence clearly indicates that millions of American employees do not find desired satisfaction in their jobs. The most common explanation is that the nature of countless jobs is such that the new expectations are just not met. The controversial HEW study reported in *Work in America* cited above supports this view. Although specific evidence is scarce, the study indicated that nearly half of the employees in America were basically dissatisfied with their jobs. According to this report, "Dull, repetitive, seemingly meaningless tasks, offering little challenge or autonomy, are causing discontent among workers at all occupational levels." With the new breed just now entering the labor force in large numbers, enlightened managers and policy-makers are increasingly recognizing that something has to change. Job enrichment programs are specifically designed to involve at least a minimal level of the employee's skill and attention and, beyond that, to provide for an increase in the psychological investment in the work process itself. Such programs not only provide increased satisfaction and feelings of accomplishment, but they also lead to reduced absenteeism, turnover, and other symptoms of alienation such as drug and alcohol abuse. Good pay, fair benefits, and clean and safe plants and offices are not enough.

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The strategies that are used to restructure jobs vary considerably. Some firms broaden the responsibility of the individual jobs, thereby providing employees with greater opportunity to develop and use multiple skills on the job. **For example, as part of its original design of its pet food plant in Topeka, the General Foods management-consultant team arranged for employees to rotate jobs in order to avoid "freezing" an employee in any one position. Furthermore, the wage payment system was so designed as to encourage each employee to learn all of the various tasks of his or her work unit. As a team leader explained it, "The team member gets a raise when other members of the team decide he has mastered his first job and is capable of teaching it to another employee. Then he goes on to another job in the department and another and another, with the team deciding each time [that] he is proficient . . . The highest pay goes to the person who can do the most jobs."[16]**

In addition to encouraging employees to develop and use multiple skills, work restructuring projects have focused on allowing employees to perform "whole" tasks rather than isolated segments of the whole. At Indiana Bell Telephone, telephone books had traditionally been assembled in 21 steps, each of which was performed by a different clerk. When this process was eliminated and each clerk was given sole responsibility for assembling an entire book, one of the effects was a reduction in employee turnover by 50 percent. Not all job enrichment or job enlargement programs are, however, successful. How they are introduced, how employees are involved in the process, and how reward systems are adjusted obviously affect the success of such attempts to improve the quality of work life.

Although it must be admitted that job satisfaction does not always or necessarily lead to improved job performance, there is evidence that job redesign programs can lead to both higher productivity and better quality. During the full experimental phase of the Rushton Mine study, productivity as measured in economic terms improved and, it is believed, had there been some contractual arrangement for gain sharing on the part of the miners and some minor changes in personnel assignments, the increases in economic performance would have been even greater. Actually, most of the research reports on job enrichment programs reveal a benefit in performance. The real problems, as we shall see, lie in the inability of such innovative programs to become institutionalized and transferred to other work units because of the various sources of resistance to such changes.

Workplace Democracy and Power Sharing

In addition to redesigning work so that it is intrinsically more rewarding, the other major quality of work life emphasis has been on one or another form of workplace democracy—on altering the organization's power structure so that lower-level employees are given more opportunity to participate in the decision making process and more freedom and autonomy in carrying out tasks. There have been two basic forces driving this "democratization" of the workplace. The first has been the dissemination of behavioral science theory and research concerning the benefits in morale and productivity to be obtained from participatory management systems. The second has derived from socio-political considerations justifying the "rights" of employees in organizations to be involved—the rise of a kind of "constitutionalism" if you will. Jerome Rosow speaks to this point: "In a 1977 survey (Yankelovich, Skelly and White, Inc.), 54 percent of the American public stated that they feel they have a right to take part in decisions affecting their jobs. Among younger workers, 62 percent expressed this view, compared with 53 percent as recently as 1973. These attitudes reflect important changes in work values in America and a clear demand for more participation in the decision-making process at the workplace."[17] The full impact of this new ethic is perhaps only beginning to be felt. The extensive body of behavioral science knowledge concerning the demonstrable benefits of democratic or participative management methods is only now being widely disseminated and achieving some acceptance.

Just as there are these two sources of pressure for schemes to increase the participation of employees in decision processes within organizations, there have been two quite different responses to this pressure. One might superficially be called the American response and the other the European response: the former being characterized more by the internal introduction of shop-floor or office-level participation; the latter being characterized more by legislatively introduced systems for obtaining worker participation in top-level boards and committees.

The European movement to abolish or modify authoritarianism in industry has been established for some years. In the affected Western European countries, the democratization of industry has been widely regarded as a desirable and necessary goal by politicians, managers, union leaders, and the workers themselves—perhaps as a response to the more immediate threat of socialist and worker movements. As noted, industrial democracy has been achieved primarily by means of legislation requiring some form of worker or employee participation in the governance of the business enterprise.

Writing in the *Harvard Business Review*, Ted Mills, director of the National Quality of Work Center, identified five basic forms of industrial democracy which have been sanctioned by European laws: co-determination, works councils, shop-floor participation, financial participation, and collective bargaining.[18] For example, a 1972 law in the Netherlands states that all organizations with more than 100 employees are required to establish works councils. The company president will no longer be the chairman, and councils will have an advisory role on company plans that deal with investments, mergers, expansion, production cutbacks, or on the appointment of senior managers. In actuality, these councils still possess only modest power, however.

The "future of a form of industrial democracy, uniquely American in character and deriving from American individualism, may not be quite as dim a prospect (or as undesirable to management and labor) as appearances in 1978 would lead one to believe."

Sweden, with its pervasive social democratic ideology, is a second example. Sweden is generally considered to be a world leader in legally sanctioned industrial democracy reforms. It was here that the controversial "Meider Plan" for employee stock ownership originated. Basically, this plan suggests that all Swedish companies with more than 50 employees should be required to put 20 percent of their pre-tax profits annually into special share issues. These resulting stock pools would then form a nationwide system of stock funds which would be under the ownership and control of labor. Although Swedish unions favor employee stock ownership, they have been noncommittal regarding this particular plan. Management, on the other hand, has expressed concern that such a law would concentrate too much control under the power of unions. Whatever the final outcome of the debate, this plan for financial participation illustrates the increasing involvement of European governments in "quality of work life" issues.

In Italy, unions are seeking the right to consult with management in important company decisions. In this case, the unions are asking to be informed of and to represent the interests of workers; however, they reject schemes of codetermination and comanagement like those in Germany because Italy's unions, like many others in Europe, ultimately seek socialist solutions to these problems. Ironically, in Europe, while there may be worker representation on boards of directors and works councils, the organizational systems within which people work are often highly traditional or "authoritarian" in nature.

Ted Mills and others have noted that, although the situation is quite different, an industrial democracy movement exists in the United States as well. In contrast to European developments, American experiments have focused on voluntarily initiated and internally sponsored schemes designed to increase the involvement of the individual worker or work group in day-to-day decisions concerning the work itself and union-management relationships. While some informal forms of participative management are practiced in many American enterprises and public service organizations, there is still little formal or legislated democratization of work organization in the United States. Mills expresses optimism that the "future of a form of industrial democracy, uniquely American in character and deriving from American individualism, may not be quite as dim a prospect (or as undesirable to management and labor) as appearances in 1978 would lead one to believe."[19] Mills argues that it is becoming more widely recognized that democratic management can help to foster productivity. Thus, although in the past, "democratic, individualistic, and participative concerns seemed, somehow, to be incompatible with efficient profitable management in the United States," this situation is changing. Indeed, the dramatic growth of the "Organization Development" field bears testimony to the fact that an ever-growing number of managers and union leaders have become committed to creating new kinds of organizational systems that will enhance the opportunities for all levels of employees to participate with dignity in those ongoing affairs of the organization which affect the individuals and groups composing the system.

Institutional Support

The work of the quality of work life movement as a social force is carried on in a number of different institutional settings. Major U.S. corporations have shared in this support, among them General Motors, Weyerhauser, Proctor and Gamble, General Foods, TRW, Butler Manufacturing, Cummins Engine, Polaroid, and Corning Glass to mention a few. The unions which have been recognized for their contributions are the United Automobile Workers, Bakery & Confectionery Workers, Newspaper Guild, American Federation of State, County & Municipal Employees, and the United Food Commercial workers.[20]

The Ford Foundation has played a prominent role in stimulating the quality of work life movement particularly in its subsidies of basic research programs to evaluate the results and effectiveness of quality of work life experiments. The U.S. Department of Labor, the Department of Commerce, and the National Science Foundation have played various roles in encouraging and supporting quality of work life programs. The former National Center for Productivity and Quality of Working Life was a joint program of the Departments of Labor and Commerce. The Occupational Safety and Health Administration has, of course, been actively involved in quality or work life issues. Currently, a number of nonprofit centers and institutes are providing leadership and direction to this movement. Among them are the Michigan Quality of Work Council, the National Quality of Work Center, the Work in America Institute, various Chambers of Commerce, and community development councils and agencies of one kind and another.

Internationally, the quality of work life movement is directly supported by governments (as discussed above). In addition, various international organizations, like the International Labour Organization, sponsor and study quality of work life innovations. A particularly dynamic force is the International Council for the Quality of Working Life which is centered in Europe and is stimulating projects in the Third World as well as in Europe.

Finally, one must acknowledge the role of university-based behavioral scientists and their organizational behavior consultant counterparts. Starting, perhaps, with the contribution of Roethlisberger and Dickson's *Management and the Worker*, university intellectuals have played a major role in providing the theoretical basis for the quality of work life movement. They have provided both a motive force for change and a vision of this movement for reform of the workplace through their teaching and public communication in disseminating ideas. Countless consultants and organization development specialists are now involved in working with private and public organizations in projects to solve the human problems of work life in ways that lead to higher productivity and more meaningful work lives for the members.

Prospects for the 1980s

We have identified many of the forces driving and inspiring the quality of work life movement: pressure from the expectations of the new breed, the unions, and behavioral science analysis; pressure from concerns with the physical and mental health effects of work setting; pressure from the public's concern with equity and social justice as mediated by the political process; and so on. We have identified a handful of planned programs to improve the quality of work life. And yet many quality of work life innovations have failed to become fully *institutionalized*, that is, to become permanent and built-in parts of organizational life; and successful demonstration projects such as the General Foods pet food plant have failed to *disseminate* successfully and to become widely adopted throughout the particular business or government organization specifically or throughout organizational life more generally. Why?

Obviously, there are many restraining forces, obstacles, and barriers to the introduction, institutionalization, and diffusion of quality of work life innovations. Jerome Rosow[21] and others have identified some of these obstacles:

- **slow economic growth in the 1970's as a depressant**
- **increased apprehension over government intervention and resistance to the enforcement of labor and civil rights legislation**
- **increased defensiveness of corporation governance to social criticism, e.g., to the revelation of widespread illegal political contributions**
- **prevalence of a reliance on old methods and old values as a response to conflicting economic, political, and social pressures which lead to a preoccupation with the "economics" of work rather than its psycho-social aspect.**
- **union distrust of management and fear of quality of work projects as either techniques to get more work for less pay or as outright attempts to destroy union power**
- **general resistance to a "mental health" perspective in viewing work relationships.**
- **the short supply of third-party experts and specialists so essential to the successful introduction of quality of work life changes**
- **resistance of many tradition-oriented and untrained employees to the investments required for success in innovations such as these**
- **general impatience with the long-term commitments required for the successful introduction and institutionalization of quality of work life changes.**

Furthermore, most quality of work life programs involve some degree of "power sharing," that is, participation by the individual employee, by employee groups, and by union representatives in the decision process. Even job enrichment programs often require the delegation of responsibility and authority down the line. Participative programs by definition involve power sharing. There are, obviously, many obstacles to such delegation and power sharing in its various forms:

- **people with power generally want to maintain and enhance their power**
- **most current management philosophies do not consider the potential advantages of participative systems as outweighing the costs**

- **many supervisors, managers, and executives experience personal apprehensions and fears concerning change to more open, participative organizational systems**
- **unions are suspicious that participative practices and quality of work life improvements will weaken the adversary aspects of the union-management relationship and complicate their problems**
- **many opinion leaders experience great ambivalence and perhaps systematic resistance to the kinds of "gain sharing" or profit sharing that may inevitably be required in such progressive work systems.**

> **Barring some totalitarian response to the complex problems confronting the industrialized western world, the pressure of new expectations and new values, the demand for new technology, and the demonstrated success of many innovative work systems will balance the restraining forces.**

Despite these many obstacles and sources of resistance to the quality of work life movement and discounting a certain utopianism in the movement itself, one can project modest gains in the 1980s. Barring some totalitarian response to the complex problems confronting the industrialized western world, the pressure of new expectations and new values, the demand for new technology, and the demonstrated success of many innovative work systems will balance the restraining forces. It is to be hoped that the conflict between these sets of forces will lead to some new synthesis, to some new and better ways of organizing human effort as our organizational world responds to its own problems of energy, environment, and a turbulent international situation.

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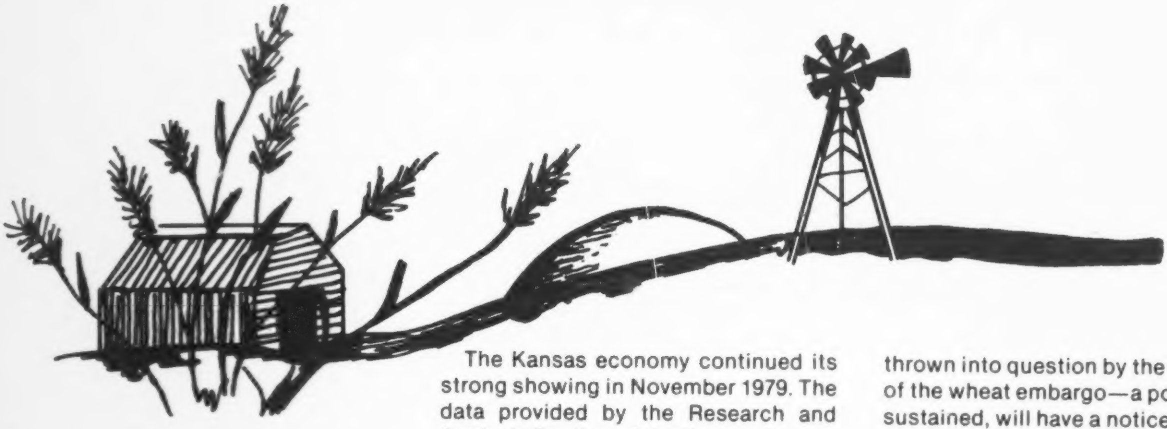
Kansas in November



General Business

The cautious suggestion made in last month's *Kansas Business Review* that the oft-predicted national recession of 1979-80 may not, in fact, come to pass has gained greater credibility in light of the most recent data. As reported last month, 1979 third-quarter GNP registered a surprising growth in excess of three percent, and preliminary data for the fourth quarter indicates a positive figure (1.5 percent) for that three-month period as well. Therefore, it is clear that the traditional definition of a recession—two successive quarters of negative growth for the GNP—will not be realized in 1979 and that fourth quarter 1979 will not initiate a recession during this winter. Appearing much more likely is a forecast for 1980 of slow economic growth coupled with a gradual rise in unemployment, little if any growth in real wages, and some moderation of the inflation rate. But, whatever the future holds for 1980, 1979 will be regarded historically as a year in which the country's economy experienced stagflation but not a recession and as a year that confounded the forecasts of almost all economists and observers of the economy.

The Kansas economy continued its strong showing in November 1979. The data provided by the Research and Analysis Section of the Kansas Department of Human Resources reveals that total nonfarm wage and salary employment by place of work increased in the State 0.5 percent over the month and 3.4 percent over the year. This latest increase follows the steady growth in employment recorded during the two preceding months. At the same time, the average work week rose by 1.0 percent in November from the October average and rose by over 2.0 percent from a year ago. Average weekly earnings in manufacturing also increased over the month and the year. Initial claims for unemployment insurance rose 17.0 percent in November—an increase in keeping with the seasonal fluctuation in employment across the State as demonstrated by the fact that this month's figure varies only slightly from the figure recorded in November 1978. The number of new incorporations of both in-state and out-of-state firms for profit decreased over the month and over the year.

As the data for the 1979 Kansas economy continues to come in, all indications are that the year will prove to have been a period of comparative economic strength for the State. However, what, until recently, would have seemed the predictable forecast of a similar kind of year for 1980 has been thrown into question by the imposition of the wheat embargo—a policy that, if sustained, will have a noticeable effect on the State's economic growth. (See Table I.)

Employment

Kansas employment continued its steady growth in November 1979. The number of persons employed in the State grew 0.5 percent from October 1979, and the unemployment rate declined to 2.7 percent which is less than half the national rate of unemployment. From November 1978 to November 1979, total employment in Kansas grew 3.4 percent, the number of unemployed persons declined by 8.9 percent, and the unemployment rate dropped 0.4 percent. The even and balanced growth in Kansas employment for the past few years is demonstrated by a comparison between November 1976 and November 1979 employment data. Total employment has increased 13.8 percent during this three-year period, and seven of the eight major private categories of employment grew by more than 10 percent. The exception, retail sales, grew by a strong 9.5 percent. Only federal, State, and local government employment has shown little change since November 1976.

Among the five categories that showed strong employment growth

TABLE I
GENERAL BUSINESS INDICATORS

	Nov. 1979	Oct. 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1978
Manufacturing					
Average Work Week (hrs.)	41.40	41.00	1.00	40.90	40.70
Average Weekly Earnings (dollars)	292.70	287.82	1.70	276.34	240.99
Initial Claims for					
Unemployment Insurance	8,183.00	6,994.00	17.00	7,448.00	8,082.00
New Incorporations					
In-State	309.00	427.00	– 27.60	385.00	336.00
Out-of-State	68.00	107.00	– 36.40	96.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

over the month, mining (with its subcategory, oil and gas extraction) is most notable. In the past, November employment data for mining usually reflected the seasonal lay-off of workers; however, for the last two years, in response to the increasing value of energy resources, this industry has maintained an almost unbroken record of persistent growth in employment. A comparison of November 1978 data to that of November 1979 shows that all major industries registered increases in employment, ranging from the highest increase of 8.5 percent in contract construction to the lowest of 0.3 percent in State and local government. The contract construction figure deserves further mention: the 8.5 percent increase is remarkable in light of the year's difficulties in the housing market and suggests that Kansas builders have responded successfully to the challenges of extremely high interest rates and a sluggish national economy. (See Table II.)

Regional Employment

Employment throughout Kansas has remained fairly stable over the last year. The Lyon County unemployment rate did not change at all, and the Wichita SMSA unemployment rate declined from 3.0 percent in November 1978 to 2.2 percent in November 1979. Barton County and Montgomery County were the only two counties whose unemployment rate increased, and those increases were small (0.3 percent and 0.6 percent, respectively).

Unemployment relative to the previous month also remained generally consistent with seven of the regional areas experiencing a decline in the unemployment rate of 0.2 percent or 0.3 percent. Among the four areas wherein a rise was recorded, Reno County experienced the largest increase at 0.6 percent.

All the regions except Montgomery County registered an increase in the number of people in their civilian labor force since this time last year, but only the Kansas portion of the Kansas City SMSA and the Wichita SMSA showed any increase in the civilian labor force since last month. Historically, November appears to be a rather slow month in terms of people looking for jobs, but the Christmas season generally improves the situation. Farm employment for all regions declined since last month by at least 10 percent, but this decrease is also seasonal: all areas except the Topeka SMSA, Lyon County, and Reno County were close to their positions of November 1978. (See Table III.)

The *Kansas Business Review* staff is grateful to Mr. Fred Rice and the staff of the Kansas Department of Human Resources for providing regional employment data on a monthly basis. The Department of Human Resources publishes this data bimonthly, but readers are encouraged to get in touch with the Department's representatives in their regions if they wish to have the data on a monthly basis or wish more detailed information about employment in their area. The Department's regional staff has available historical and current data on area and State developments in employment and welcomes inquiries and requests. For the names and addresses of the regional personnel, interested readers may write or call either the Department of Human Resources or the KU Institute for Economic and Business Research.

Retail Sales (October and November)

The October and November figures for retail sales by business category based on retail sales tax collections are difficult to interpret because of a statistical abnormality. The figures

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Nov. 1979	Oct. 1979	% change	Nov. 1978	% change
All Industries	963.5	958.8	0.5	931.7	3.4
Manufacturing	203.1	198.5	2.3	194.1	4.6
Durable Goods	135.4	131.3	3.1	127.0	6.6
Stone, Clay, Glass	10.2	10.3	– 1.0	9.6	6.3
Primary Metals	4.0	4.0	0.0	4.0	0.0
Fabricated Metal Products	13.8	14.0	– 1.4	14.0	– 1.4
Machinery (incl. elec.)	34.4	34.5	– 0.3	32.8	4.9
Transportation Equipment	59.6	55.2	8.0	53.0	12.5
Aircraft & Parts	49.3	47.9	2.9	41.8	17.9
Other Durable Goods	13.4	13.3	0.8	13.6	– 1.5
Nondurable Goods	67.7	67.2	0.7	67.1	0.9
Food & Kindred Products	24.0	24.0	0.0	23.2	3.4
Meat Products	9.4	9.3	1.1	8.6	9.3
Apparel	3.5	3.5	0.0	3.7	– 5.4
Printing & Publishing	16.4	15.7	4.5	15.6	5.1
Chemicals	8.6	8.5	1.2	8.4	2.4
Petroleum & Coal	4.8	4.8	0.0	4.5	6.7
Other Nondurable	10.4	10.7	– 2.8	11.7	– 11.1
Mining	13.5	13.3	1.5	12.8	5.5
Oil & Gas Extraction	11.2	10.9	2.8	10.6	5.7
Contract Construction	53.6	55.8	– 3.9	49.4	8.5
Trans., Comm., Elec., Gas	67.1	67.7	– 0.9	64.1	4.7
Wholesale Trade	62.0	62.4	– 0.6	61.4	1.0
Retail Trade	166.5	164.3	1.3	163.0	2.1
Finance, Insurance, Real Estate	47.3	47.3	0.0	45.4	4.2
Services	166.0	166.1	– 0.1	157.7	5.3
Federal Government	25.8	25.7	0.4	25.7	0.4
State & Local Government	158.6	157.7	0.6	158.2	0.3

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Nov. 1979	Oct. 1979	% change	Nov. 1978	% change
Kansas—Statewide					
Civilian Labor Force	1,209,100	1,219,300	– 0.8	1,178,200	2.6
Employed	1,176,300	1,185,500	– 0.8	1,142,200	3.0
Farm	56,000	68,300	– 18.0	56,800	– 1.4
Non-Farm	1,120,300	1,117,200	0.3	1,085,400	3.2
Unemployed	32,800	33,800	– 3.0	36,000	– 8.9
Rate	2.7%	2.8%		3.1%	
Lawrence SMSA					
Civilian Labor Force	34,600	34,800	– 0.6	33,000	4.8
Employed	33,700	33,800	– 0.3	32,000	5.3
Farm	700	900	– 22.2	700	0.0
Non-Farm	33,000	32,900	0.3	31,300	5.4
Unemployed	900	1,000	– 10.0	1,000	– 10.0
Rate	2.6%	2.9%		3.0%	
Kansas portion of Kansas City SMSA					
Civilian Labor Force	270,300	266,800	1.3	260,800	3.6
Employed	261,300	257,400	1.5	252,400	3.5
Farm	1,200	1,500	– 20.0	1,200	0.0
Non-Farm	260,100	255,900	1.6	251,200	3.5
Unemployed	9,000	9,400	– 4.3	8,400	7.1
Rate	3.3%	3.5%		3.2%	
Topeka SMSA					
Civilian Labor Force	93,100	94,000	– 1.0	92,900	0.2
Employed	89,900	90,600	– 0.8	89,600	0.3
Farm	1,600	2,000	– 20.0	1,700	– 5.9
Non-Farm	88,300	88,600	– 0.3	87,900	0.5
Unemployed	3,200	3,400	– 5.9	3,300	– 3.0
Rate	3.4%	3.6%		3.6%	
Wichita SMSA					
Civilian Labor Force	226,300	226,100	0.1	214,300	5.6
Employed	221,300	220,400	0.4	207,900	6.4
Farm	2,300	2,800	– 17.9	2,300	0.0
Non-Farm	219,000	217,600	0.6	205,600	6.5
Unemployed	5,000	5,700	– 12.3	6,400	– 21.9
Rate	2.2%	2.5%		3.0%	

presented in Tables IV are based on an average of the three preceding months because retail sales tax collections do not come to the Department of Revenue in a steady flow. Thus, a monthly change in retail sales tax collections is not necessarily important, and the use of a three-month average is an attempt to control the irregularity of retail sales tax collections. However, the September 1979 collections were extraordinarily low—down nearly one third from August 1979. Even though the October and November collections returned to approximately the summer level of retail sales tax collections, the September figures are significantly low enough to distort even the three-month averages. Thus, despite the data presented in Tables IV, one is drawn to the conclusion that the dollar volume of retail sales is slightly higher than a year ago. However, even this adjustment does not present the full story. If inflation is taken into consideration, then retail sales are actually below a year ago, probably 7.0 to 10 percent. This phenomenon is occurring not only in Kansas; nationwide retail sales also seem to be slightly ahead of a year ago, but real retail sales (retail sales with inflation taken into consideration) are down significantly from a year ago. (See Tables IV.)

County Retail Sales (October and November)

The problems mentioned above with the retail sales data by business category also affect the retail sales data by county. In terms of relative change in retail sales, it appears that the southeastern corner, the north central region, and the northwestern region of the State have declining retail sales compared to the State as a whole. The particular areas which seem to be strong in retail sales are the northeastern region and the Wichita area. (See Tables V.)

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Nov. 1979	Oct. 1979	% change	Nov. 1978	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,675	17,725	– 0.3	17,225	2.6
Employed	17,325	17,325	0.0	16,925	2.4
Farm	825	1,000	– 17.5	850	– 2.9
Non-Farm	16,500	16,325	1.1	16,075	2.6
Unemployed	350	400	– 12.5	300	16.7
Rate	2.0%	2.3%		1.7%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,575	16,700	– 0.7	16,300	1.7
Employed	16,000	16,175	– 1.1	15,675	2.1
Farm	750	900	– 16.7	750	0.0
Non-Farm	15,250	15,275	– 0.2	14,925	2.2
Unemployed	575	525	9.5	625	– 8.0
Rate	3.5%	3.1%		3.8%	
Lyon Co.—Emporia Area					
Civilian Labor Force	18,100	18,150	– 0.3	17,500	3.4
Employed	17,725	17,775	– 0.3	17,125	3.5
Farm	725	900	– 19.4	750	– 3.3
Non-Farm	17,000	16,875	0.7	16,375	3.8
Unemployed	375	375	0.0	375	0.0
Rate	2.1%	2.1%		2.1%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,975	21,250	– 1.3	21,225	– 1.2
Employed	20,425	20,750	– 1.6	20,800	– 1.8
Farm	550	650	– 15.4	550	0.0
Non-Farm	19,875	20,100	– 1.1	20,250	– 1.9
Unemployed	550	500	10.0	425	29.4
Rate	2.6%	2.4%		2.0%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	32,075	32,450	– 1.2	31,400	2.1
Employed	31,375	31,775	– 1.3	30,575	2.6
Farm	1,175	1,425	– 17.5	1,200	– 2.1
Non-Farm	30,200	30,350	– 0.5	29,375	2.8
Unemployed	700	675	3.7	825	– 15.2
Rate	2.2%	2.1%		2.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,850	22,125	– 1.2	21,100	3.6
Employed	21,350	21,575	– 1.0	20,550	3.9
Farm	950	1,150	– 17.4	950	0.0
Non-Farm	20,400	20,425	– 0.1	19,600	4.1
Unemployed	500	550	– 9.1	550	– 9.1
Rate	2.3%	2.5%		2.6%	
Saline Co.—Salina Area					
Civilian Labor Force	25,600	25,800	– 0.8	25,250	1.4
Employed	24,925	25,150	– 0.9	24,525	1.6
Farm	625	750	– 16.7	650	– 3.8
Non-Farm	24,300	24,400	– 0.4	23,875	1.8
Unemployed	675	650	3.8	725	– 6.9
Rate	2.6%	2.5%		2.9%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION (NOVEMBER)

(millions of dollars)

Business Classification	Nov. * 1979	Aug. * 1979	% change	Avg. 1978	% change
Apparel	24.3	25.4	– 4.1	25.1	– 3.2
Automotive	194.4	213.6	– 9.0	195.7	– 0.7
Food	215.3	234.1	– 8.0	213.6	0.8
Furniture	38.1	40.4	– 5.6	41.2	– 7.5
General Merchandise	130.0	136.5	– 4.8	126.0	3.2
Lumber and Building Materials	87.2	95.1	– 8.3	91.7	– 4.9
Professional and Personal Service	36.1	38.8	– 6.9	37.9	– 4.7
Public Utilities	46.5	84.2	– 44.8	90.2	– 48.4
Unclassified	90.4	101.7	– 11.1	88.7	1.9
Farm and Garden Products	0.9	1.0	– 13.5	0.8	12.5
Manufacturing and Trading	70.7	74.3	– 4.9	66.2	6.8
Miscellaneous	2.3	1.8	31.9	2.7	– 14.8
Total	936.1	1046.7	– 10.6	979.8	– 4.5

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION (OCTOBER)

(millions of dollars)

Business Classification	Oct. * 1979	July * 1979	% change	Oct. 1978	% change
Apparel	25.0	25.1	0.4	24.7	1.2
Automotive	206.4	214.9	– 4.0	212.3	– 2.8
Food	233.1	211.8	10.1	218.1	6.9
Furniture	40.2	39.5	1.8	41.1	– 2.2
General Merchandise	141.7	130.8	8.3	129.1	9.8
Lumber and Building Materials	93.8	85.9	9.2	94.4	– 0.6
Professional and Personal Service	37.6	37.1	1.3	38.4	– 2.1
Public Utilities	56.9	98.0	– 41.9	85.0	– 33.1
Unclassified	95.1	96.9	– 1.9	92.7	2.6
Farm and Garden Products	0.9	1.0	– 10.0	0.8	12.5
Manufacturing and Trading	71.9	72.0	– 0.1	68.9	4.4
Miscellaneous	2.4	1.9	26.3	2.6	– 7.7
Total	1005.1	1014.8	– 1.0	1008.1	– 0.3

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (OCTOBER)

(thousands of dollars)

County	Sales * Oct. 1979	Sales * July 1979	Change From July 1979 (%)	Sales * Oct. 1978	Change From Oct. 1978 (%)
Allen	4,881	5,307	-8.03	4,974	-1.87
Anderson	2,467	2,365	4.31	2,229	10.68
Atchison	4,753	4,733	0.42	4,584	3.69
Barber	2,491	2,256	10.42	2,363	5.42
Barton	22,750	21,388	6.37	22,176	2.59
Bourbon	5,429	5,472	-0.79	5,444	-0.28
Brown	3,414	3,396	0.53	3,449	-1.01
Butler	15,081	12,744	18.34	13,860	8.81
Chase	647	768	-15.76	705	-8.23
Chautauqua	1,074	1,071	0.28	958	12.11
Cherokee	4,045	4,143	-2.37	4,447	-9.04
Cheyenne	1,463	1,253	16.76	1,379	6.09
Clark	548	583	-6.00	607	-9.72
Clay	3,123	3,121	.06	3,213	-2.80
Cloud	4,337	4,318	0.44	4,590	-5.51
Coffey	2,205	2,234	-1.30	2,176	1.33
Comanche	610	629	-3.02	582	4.81
Cowley	12,420	12,490	-.56	12,464	-.35
Crawford	12,280	12,086	1.61	11,670	5.23
Decatur	1,607	1,586	1.32	1,556	3.28
Dickinson	6,071	5,807	4.55	5,997	1.23
Doniphan	2,084	1,874	11.21	1,850	12.65
Douglas	21,404	21,385	.09	22,353	-4.25
Edwards	979	999	-2.00	970	.93
Elk	645	699	-7.73	728	-23.63
Ellis	13,410	12,254	9.43	12,966	3.42
Ellsworth	2,053	1,789	14.76	2,144	-4.29
Finney	15,492	14,150	9.48	14,708	5.33
Ford	14,798	12,951	14.26	13,692	8.08
Franklin	6,767	6,680	1.30	6,642	1.88
Geary	8,434	8,657	-2.58	8,894	-5.17
Gove	1,292	1,279	1.02	1,522	-15.11
Graham	1,614	1,606	.50	1,651	-2.24
Grant	3,626	3,311	9.51	3,366	7.72
Gray	1,929	1,713	12.61	1,459	32.21
Greeley	602	672	-10.42	593	1.52
Greenwood	2,847	2,499	13.93	2,723	4.55
Hamilton	743	805	-7.70	857	-13.30
Harper	2,958	2,742	7.88	2,610	13.33
Harvey	9,138	8,529	7.14	8,911	2.55
Haskell	1,061	1,083	-2.03	1,063	-.19
Hodgeman	404	435	-7.13	377	7.16
Jackson	2,142	2,365	-9.43	2,386	-10.23
Jefferson	3,256	2,761	17.93	2,965	9.81
Jewell	873	976	-10.55	1,009	-13.48
Johnson	116,826	115,627	1.04	114,450	2.08
Kearny	689	759	-9.22	711	-3.09
Kingman	2,429	2,292	5.98	2,312	5.06
Kiowa	1,376	1,176	17.01	1,310	5.04
Labette	7,636	7,727	-1.18	7,631	.07
Lane	820	733	11.87	799	2.63
Leavenworth	11,650	11,677	-.23	12,457	-6.48
Lincoln	1,155	1,096	5.38	1,213	-4.78

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* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Oct. 1979	Sales * July 1979	Change From July 1979 (%)	Sales * Oct. 1978	Change From Oct. 1978 (%)
Linn	1,806	1,935	– 6.67	1,906	– 5.25
Logan	1,846	1,668	10.67	1,704	8.33
Lyon	12,751	12,454	2.38	12,698	.42
McPherson	9,815	9,583	2.42	9,700	1.19
Marion	3,640	3,652	– .33	3,742	– 2.73
Marshall	3,711	4,250	– 12.68	3,734	– .62
Meade	1,436	1,304	10.12	1,210	18.68
Miami	5,731	5,177	10.70	5,519	3.84
Mitchell	3,330	3,616	– 7.91	3,342	– .36
Montgomery	14,792	15,164	– 2.45	14,909	– .78
Morris	1,441	1,413	1.98	1,601	– 9.99
Morton	1,141	1,137	.35	1,234	– 7.54
Nemaha	3,104	3,057	1.54	3,147	– 1.37
Neosho	7,221	7,132	1.25	7,354	– 1.81
Ness	1,735	1,459	18.92	1,533	13.18
Norton	2,332	2,163	7.81	2,058	45.24
Osage	3,112	3,205	– 2.90	3,251	– 4.28
Osborne	1,805	1,810	– .28	1,874	– 3.68
Ottawa	1,178	1,279	– 7.90	1,249	– 5.68
Pawnee	3,320	3,029	9.61	3,128	6.14
Phillips	2,467	2,558	– 3.56	2,292	7.64
Pottawatomie	4,346	4,172	4.17	4,318	.65
Pratt	5,132	4,572	12.25	4,838	6.08
Rawlins	945	962	– 1.77	981	– 3.67
Reno	28,826	26,646	8.18	28,387	1.55
Republic	2,254	2,392	– 5.77	2,261	– .31
Rice	3,123	3,209	– 2.68	3,250	– 3.91
Riley	15,038	14,373	4.63	15,537	– 3.21
Rooks	3,428	3,111	10.19	3,176	7.93
Rush	1,368	1,278	7.04	1,359	.66
Russell	4,882	4,901	– .39	4,923	– .83
Saline	27,723	25,677	7.97	26,886	3.11
Scott	2,650	2,602	1.84	2,647	.11
Sedgwick	189,137	179,660	5.27	177,061	6.82
Seward	11,705	11,430	2.41	11,148	5.00
Shawnee	74,498	69,423	7.31	71,387	4.36
Sheridan	1,131	1,399	– 19.16	1,334	– 15.22
Sherman	4,345	3,870	12.27	4,196	3.55
Smith	1,927	1,831	5.24	1,949	– 1.13
Stafford	1,569	1,526	2.82	1,491	5.23
Stanton	679	662	2.57	668	1.65
Stevens	1,603	1,426	12.41	1,414	13.37
Sumner	6,227	5,795	7.45	6,100	2.08
Thomas	4,762	4,418	7.79	5,041	– 5.53
Trego	1,336	1,355	– 1.40	1,755	– 23.87
Wabaunsee	1,124	1,084	3.69	1,128	– .35
Wallace	663	664	– .15	673	– 1.49
Washington	2,057	2,085	– 1.34	2,044	.64
Wichita	984	882	11.56	980	.41
Wilson	2,733	2,732	.04	2,968	– 7.92
Woodson	1,221	919	32.86	1,001	21.98
Wyandotte	59,300	61,267	– 3.21	58,218	1.86

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (NOVEMBER)

(thousands of dollars)

County	Sales * Nov. 1979	Sales * Aug. 1979	Change From Aug. 1979 (%)	Sales * Nov. 1978	Change From Nov. 1978 (%)
Allen	4,577	5,274	– 13.2	4,703	– 2.7
Anderson	2,269	2,583	– 12.1	2,463	– 7.9
Atchison	4,513	4,685	– 3.7	4,533	– 0.4
Barber	2,355	2,487	– 5.3	2,185	7.8
Barton	21,570	22,773	– 5.3	20,289	6.3
Bourbon	5,048	5,820	– 13.3	5,241	– 3.7
Brown	3,200	3,678	– 13.0	3,333	– 4.0
Butler	14,295	14,680	– 2.6	13,042	9.6
Chase	645	760	– 15.1	773	– 16.6
Chautauqua	996	1,108	– 10.1	967	3.1
Cherokee	3,850	4,439	– 13.3	4,351	– 11.5
Cheyenne	1,291	1,379	– 6.4	1,368	– 5.6
Clark	494	628	– 21.4	559	– 11.7
Clay	2,805	3,462	– 19.0	3,090	– 9.2
Cloud	4,084	4,449	– 8.2	4,394	– 7.1
Coffey	1,990	2,461	– 19.1	2,082	– 4.4
Comanche	491	720	– 31.8	544	– 9.8
Cowley	11,402	13,326	– 14.4	11,291	1.0
Crawford	11,523	12,744	– 9.6	11,785	– 2.2
Decatur	1,493	1,636	– 8.7	1,525	– 2.1
Dickinson	5,433	6,238	– 12.9	5,860	– 7.3
Doniphan	2,096	2,115	– 0.9	1,939	8.1
Douglas	20,738	22,565	– 8.1	21,585	– 3.9
Edwards	1,017	1,004	1.2	933	9.0
Elk	571	737	– 22.6	658	– 13.2
Ellis	11,979	12,909	– 7.2	12,686	– 5.6
Ellsworth	1,922	1,943	– 1.0	2,066	– 6.9
Finney	14,054	15,433	– 8.9	13,665	2.8
Ford	13,773	14,411	– 4.4	12,306	11.9
Franklin	6,340	6,913	– 8.3	6,452	– 1.7
Geary	7,438	9,140	– 18.6	8,035	– 7.4
Gove	1,134	1,343	– 15.5	1,317	– 13.9
Graham	1,529	1,703	– 10.2	1,476	3.6
Grant	3,443	3,530	– 2.5	3,206	7.4
Gray	1,617	1,981	– 18.4	1,518	6.5
Greeley	476	728	– 34.6	600	– 20.7
Greenwood	2,641	2,725	– 3.1	2,655	– 0.5
Hamilton	780	918	– 15.0	750	4.0
Harper	2,794	3,022	– 7.5	2,485	12.4
Harvey	8,581	9,361	– 8.3	8,647	– 0.8
Haskell	999	1,213	– 17.7	1,084	– 7.9
Hodgeman	385	462	– 16.6	338	14.0
Jackson	2,064	2,542	– 18.8	2,289	– 9.8
Jefferson	2,984	3,153	– 5.4	2,906	2.7
Jewell	748	1,059	– 29.4	972	– 23.1
Johnson	111,181	117,149	– 5.1	109,925	1.1
Kearny	657	756	– 13.2	707	– 7.1
Kingman	2,232	2,424	– 7.9	2,095	6.6
Kiowa	1,256	1,413	– 11.1	1,213	3.6
Labette	7,287	8,243	– 11.6	7,341	– 0.7
Lane	806	792	1.7	750	7.4
Leavenworth	10,581	12,480	– 15.2	11,867	– 10.8
Lincoln	1,026	1,253	– 18.1	1,155	– 11.1

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Nov. 1979	Sales * Aug. 1979	Change From Aug. 1979 (%)	Sales * Nov. 1978	Change From Nov. 1978 (%)
Linn	1,753	2,050	– 14.5	1,848	– 5.1
Logan	1,772	1,874	– 5.4	1,701	4.2
Lyon	11,901	13,228	– 10.0	12,067	– 1.4
McPherson	9,744	9,806	– 0.6	8,965	8.7
Marion	3,403	3,853	– 11.7	3,407	– 0.1
Marshall	3,454	4,192	– 17.6	3,524	– 2.0
Meade	1,339	1,398	– 4.2	1,132	18.2
Miami	5,637	5,576	1.1	5,434	3.7
Mitchell	3,215	3,792	– 15.2	3,358	– 4.3
Montgomery	14,419	15,338	– 6.0	14,356	0.4
Morris	1,258	1,527	– 17.6	1,420	– 11.4
Morton	1,106	1,067	3.7	1,138	– 2.8
Nemaha	3,019	3,213	– 6.0	3,100	– 2.6
Neosho	7,159	7,341	– 2.5	7,168	– 0.1
Ness	1,564	1,735	– 9.9	1,444	8.3
Norton	2,104	2,253	– 6.6	1,983	6.1
Osage	3,097	3,197	– 3.1	3,131	– 1.1
Osborne	1,656	1,843	– 10.1	1,916	– 13.5
Ottawa	1,103	1,306	– 15.5	1,221	– 9.6
Pawnee	2,980	3,220	– 7.4	2,841	4.9
Phillips	2,403	2,660	– 9.7	2,229	7.8
Pottawatomie	3,909	4,615	– 15.3	3,979	– 1.8
Pratt	4,532	5,153	– 12.0	4,385	3.3
Rawlins	899	997	– 9.8	874	2.9
Reno	27,417	28,377	– 3.4	27,393	0.1
Republic	2,363	2,429	– 2.7	2,294	3.0
Rice	2,881	3,400	– 15.3	3,057	– 5.8
Riley	14,208	15,196	– 6.5	15,182	– 6.4
Rooks	3,178	3,312	– 4.1	3,081	3.1
Rush	1,320	1,278	3.3	1,149	14.8
Russell	4,754	4,770	– 0.3	4,472	6.3
Saline	25,026	28,227	– 11.3	25,731	– 2.7
Scott	2,279	2,853	– 20.1	2,748	– 17.1
Sedgwick	177,683	187,837	– 5.4	171,842	3.4
Seward	3,259	11,255	– 71.0	10,638	– 69.4
Shawnee	68,357	72,476	– 5.7	69,840	– 2.1
Sheridan	1,077	1,360	– 20.8	1,279	– 15.8
Sherman	3,897	4,293	– 9.2	4,018	– 3.0
Smith	1,687	2,065	– 18.3	1,736	– 2.8
Stafford	1,455	1,678	– 13.2	1,326	9.7
Stanton	605	737	– 17.9	712	– 15.0
Stevens	1,514	1,530	– 1.0	1,398	8.3
Sumner	5,592	6,393	– 12.5	5,748	– 2.7
Thomas	4,378	4,910	– 10.8	4,403	– 0.6
Trego	1,328	1,432	– 7.3	1,500	– 11.5
Wabaunsee	1,008	1,165	– 13.4	1,071	– 5.8
Wallace	595	699	– 14.9	644	– 7.7
Washington	1,817	2,140	– 15.1	1,849	– 1.7
Wichita	881	962	– 8.4	953	– 7.6
Wilson	2,632	2,812	– 6.4	2,781	– 5.4
Woodson	1,065	1,130	– 5.7	955	11.5
Wyandotte	56,968	62,394	– 8.7	56,888	0.1

Source: Tax Research Section
Kansas Department of Revenue

Farm Prices

The prices Kansas farmers received for field crops and livestock changed little from October to November. The biggest changes in prices among the field crops were for hay, up 2.1 percent, and corn, down 2.0 percent. Wheat prices held up well with a 0.5 percent increase as did sorghum prices with a 1.3 percent increase. Soybean prices fell again this month (1.8 percent). The livestock prices which changed the most from October to November were lambs, down 5.4 percent, and calves, up 4.1 percent. During this period, milk prices increased 1.6 percent, beef cattle increased 0.6 percent, and hog prices remained the same.

Generally, farm prices are higher than a year ago; the two exceptions are soybeans, down 7.3, and hogs, down 26.8. The products showing the greatest increase in prices were wheat (31.0 percent), sorghum (15.1 percent), calves (27.0 percent), and beef cattle (15.6 percent).

The November prices paid by Kansas farmers were lower for three products (soybean meal, dairy feed, and laying feed), were higher for two products (brand and beef concentrate), and remained unchanged for hog concentrate. The November prices of 1979 are all higher than the November 1978 prices, but only two products have a double-digit increase in price, bran (20.9 percent) and dairy feed (11.1 percent). (See Table VI.)

Financial Activity

The influence of the Federal Reserve's renewed tight money policy, first apparent in the October 1979 banking data, continued to dramatically affect Kansas banking in November. The November 1979 loan-to-deposit percentage was significantly below the November 1978 loan-to-deposit percentage for each of the major banking centers in Kansas and for the Kansas banking system on a statewide basis. Statewide, loans in November were only 4.7 percent above a year ago, a figure which actually represents a drop of about 8.0 percent when inflation is taken into account. Of the three major banking centers, only Kansas City, Kansas experienced an actual decline in loans since November 1978; however, loans in both Wichita and Topeka grew significantly less than the rate of inflation. (See Table VII.)

The savings and loan data for mortgage loans made for November 1979 showed a 26.3 percent decrease since the previous month. This pattern is in keeping with the overall savings and loan activity from November 1978 to November 1979—the mortgage loans made had a marked decrease of 35.8 percent.

The net new savings activity also declined. In the period from October 1979 to November 1979, net new savings went down 60.4 percent. In the overall view of the year's net new savings, from November 1978 to November 1979, the figures show a 47.6 percent decline. (See Table VIII.)

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Nov. 1979	Oct. 1979	% change	Nov. 1978	% change	Annual Avg. 1978
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.93	3.91	0.5	3.00	31.0	2.72
Corn (bu.)	2.47	2.52	– 2.0	2.22	11.3	2.21
Sorghum (cwt.)	3.89	3.84	1.3	3.38	15.1	3.29
Hay (ton)	48.00	47.00	2.1	48.00	0.0	40.88
Soybeans (bu.)	5.86	5.97	– 1.8	6.32	– 7.3	6.17
Livestock & Products						
Beef Cattle (cwt.)	66.00	65.60	0.6	57.10	15.6	50.72
Calves (cwt.)	87.00	83.60	4.1	68.50	27.0	58.78
Hogs (cwt.)	34.40	34.40	0.0	47.00	– 26.8	47.66
Lambs (cwt.)	61.10	64.60	– 5.4	59.60	2.5	59.47
Sheep (cwt.)	20.30	21.30	– 4.7	19.00	6.8	13.33
Milk (cwt.)	13.00	12.80	1.6	11.80	10.2	10.73
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.00	12.50	– 4.0	11.50	4.3	10.92
Bran (cwt.)	8.10	7.70	5.2	6.70	20.9	6.27
Beef Conc. (cwt.)	10.00	9.90	1.0	9.10	9.9	8.58
16% Dairy Feed (ton)	160.00	162.00	– 1.2	144.00	11.1	138.17
Hog Conc. (cwt.)	14.00	14.00	0.0	13.00	7.7	12.31
Laying Feed (ton)	183.00	187.00	– 2.1	172.00	6.4	160.08

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Nov. 1979	Oct. 1979	% change	Nov. 1978	% change
Kansas—Statewide					
Loans	7,611	7,517	1.3	7,268	4.7
Demand Deposits	4,011	4,018	– 0.2	3,789	5.9
Time & Saving Deposits	8,293	8,192	1.2	7,326	13.2
Loan-to-Deposit Ratio	61.9%	61.6%		65.4%	
Kansas City (Wyandotte)					
Loans	514	513	0.2	533	– 3.6
Demand Deposits	246	244	0.8	262	– 6.1
Time & Saving Deposits	597	566	5.5	571	4.6
Loan-to-Deposit Ratio	61.0%	63.3%		64.0%	
Topeka (Shawnee)					
Loans	493	486	1.4	459	7.4
Demand Deposits	294	294	0.0	271	8.5
Time & Saving Deposits	564	574	– 1.7	506	11.5
Loan-to-Deposit Ratio	57.5%	56.0%		59.1%	
Wichita (Sedgwick)					
Loans	1,200	1,184	1.4	1,164	3.1
Demand Deposits	783	794	– 1.4	688	13.8
Time & Saving Deposits	1,094	1,079	1.4	968	13.0
Loan-to-Deposit Ratio	63.9%	63.2%		70.3%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Nov. 1979	Oct. 1979	% change	Nov. 1978	% change
Net New Savings	9,611	24,254	– 60.4	18,345	– 47.6
Mortgage Loans Made	78,130	106,075	– 26.3	121,665	– 35.8

Source: Federal Home Loan Bank of Topeka

Business Highlights from Across the State

Atchison

In December, the city of Atchison received a federal grant of $882,000 to purchase 32 acres for an industrial park south of town. The Atchison County Coop and Atchison Underground Facilities will locate there and, between them, will employ an additional 98 workers. The city also has an option to purchase 96 acres of land west of town for creation of another industrial park. In response to these new industrial capabilities, American Energy Systems of New Jersey has expressed interest in locating a gasohol producing plant in Atchison.

Elkhart

The Cornerstone Development Organization of the Elkhart Chamber of Commerce at Elkhart, Kansas announced a $90,000 expansion at Southwest Machines, Inc. Keith Sullivan, the owner, has recently installed a Hitachi Seiki 3NE-300 Fanuc CNC Turning Center which is presently programmed to produce packing rings for the front landing gear of Cessna airplanes. This machine is one of a kind in the entire southwest Kansas area.

Emporia

The pet food division of Safeway Foods, Inc. has begun construction of a new plant located in the newly developed Wilson-Davis industrial park. The plant will begin operations in May of this year and will employ 35 people. The plant will cover 43,000 square feet and distribute the Safeway brand dog food to chain stores throughout the nation. City officials report that the company's decision to locate in Emporia was founded on, in great part, the park's easy access to major highways and railways and by the availability of grain in the area. Fifty million pounds of food will be produced annually at the plant.

Great Bend

The Great Bend Chamber of Commerce reports that the City's Convention and Visitors Bureau enjoyed a successful first year of operation. In 1979, Great Bend hosted 70 meetings, conferences, conventions, seminars, and tournaments with 11,389 participants totalling 22,674 delegate days.

Lawrence

On December 12, 1979, the Business Education Services Committee of the Lawrence Chamber of Commerce and the KU Institute for Economic and Business Research cosponsored the 1980 Lawrence Economic Outlook Conference. The conference featured remarks by University of Kansas Chancellor Archie Dykes and keynote addresses by Carl Nordstrom, Executive Vice President of the Kansas Association for Commerce and Industry, and Dr. Darwin W. Daicoff, Director of the Institute for Economic and Business Research. Both keynote speakers predicted a prosperous future for Lawrence and for the State of Kansas. Mr. Nordstrom identified the labor shortage in Kansas as being one of the central concerns that the State must confront in the decade ahead but noted that, given the variety of economic ills that beset the nation at large, Kansas is fortunate to have this kind of "problem" while being relatively immune to the others by virtue of the State's strong economic base. Dr. Daicoff stressed the importance of a growing University of Kansas to a strong Lawrence economy and remarked that, whereas other universities are now experiencing, or will soon experience, declining enrollments and public support, KU continues to expand in population, reputation, and productivity.

Leavenworth

This winter, Zephyr Products opened a new plant in Leavenworth. The company produces custom metal fabricators and employs 35 persons. Zephyr Products relocated from Kansas City and now occupies a facility covering 32,000 square feet.

Topeka

Plans to establish a privately financed company to aggressively sell Kansas manufactured goods throughout the world were announced recently by Larry D. Montgomery, Topeka. Montgomery, former director of international development for the Kansas Department of Economic Development, said his Kansas International Trade Consortium will eventually represent some 200 Kansas firms through regional and country offices in key locations around the globe.

Montgomery presented his idea to the Kansas Association of Commerce and Industry (KACI) Board of Directors early in December. The Board agreed to KACI's becoming the consortium's founding sponsor. The consortium will be directed toward three categories of Kansas producers: those who are already involved in worldwide exporting, those who export but are not involved on a worldwide scale, and those who are intrigued by the possibility and potential of worldwide markets.

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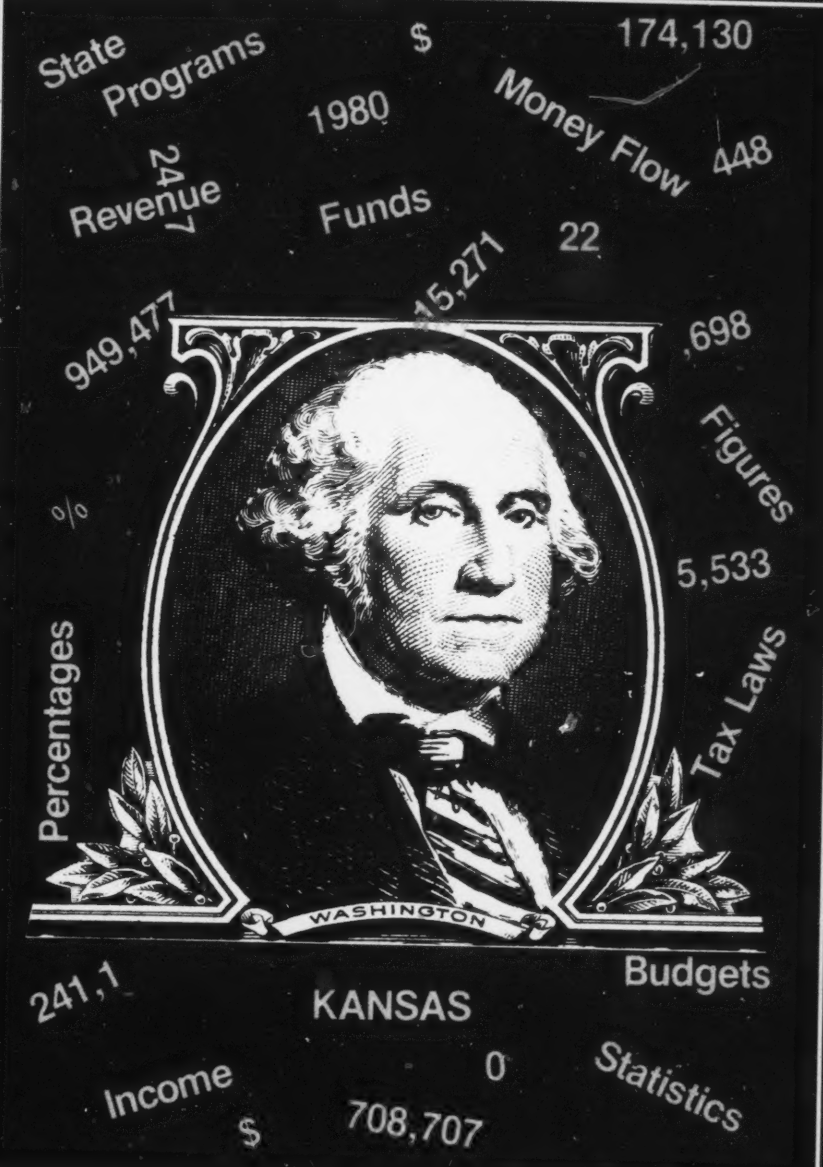
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New Developments in Kansas Revenue Estimation

Darwin W. Daicoff
Dr. Daicoff is Professor of Economics and Director of the Institute for Economic and Business Research at the University of Kansas.

The following article is a revision of two reports that were developed by the Institute for Economic and Business Research for James W. Bibb, Director of the Budget for the State of Kansas. Dr. Daicoff and the staff at the Institute wish to acknowledge Mr. Bibb's commitment, as Director, to a policy of close, continual, and innovative study of Kansas fiscal data as well as to acknowledge the benefits of that policy to the State. One such benefit is that Kansas has an enviable record of efficient revenue estimations that have afforded a sophisticated and accurate approach to budget planning and allocations.

The State government of Kansas—like every other government—annually faces the problem of preparing a budget for the next fiscal year. The first step in this process is determining just how much money will be available for State programs. Quite clearly, given the nature of State government, general fund expenditures for State programs are limited by general fund revenues; therefore, before any budgeting of State general fund expenditures can take place, an estimate of general fund revenues is necessary. Because of the dependence of expenditures on revenue, it is important to have the best revenue estimate available, and, as the estimate of general fund revenue improves, stability and efficiency are added to the budgeting of expenditures.

The methodology for estimating tax revenue can run the gamut from simply looking at past years' receipts and guessing about next year's to developing complex, multi-sector, state econometric models. Of course, Kansas state government has grown in its range of vital services and activities to a point that it cannot afford to rely on guessing, even on educated guessing. However, it has also been found that large, sophisticated state econometric models are not necessarily the best tool for short-run revenue forecasting, especially in a state like Kansas. Historically, the best tool for revenue forecasting in Kansas has been the simple, single variable linear regression equation with income as the independent variable:

$$\text{Tax Revenue} = \alpha + \beta(\text{Income}).$$

Historical data are available tax for revenue, and it would seem that State personal income could be forecast with relative ease into the future. But, at this point, two problems emerge that will be the focus of this article.

First, although the historical tax data is accurate, it is flawed for the purpose of general fund tax revenue estimates. Since 1968, numerous changes have taken place in the Kansas tax structure: exemptions have been added for some taxes, eliminated for others; tax rates have changed; and the percentage of the tax revenue that goes into the general fund has changed for some taxes. Thus, the approach of using unadjusted historical tax data is a return, at best, to the educated guess. For better estimates, the tax revenue data must be cleaned up; hence, the need for **constant statute** general fund tax receipts. The first concern of this article is the development of adjusted tax revenue.

Second, the available income data for Kansas is personal income. Tax revenue tends to be related to income, but there is no reason to expect personal income to be a good predictor for all tax revenue. For example, personal income includes imputed interest, and, because of the recent high interest rates, this figure should grow significantly in 1979. However, it is difficult to spend imputed interest because it is simply that—only imputed. Thus, an increase in personal income due to imputed interest would cause the simple regression equation to estimate an increase in sales tax receipts, an increase which would be, at least in part, unwarranted. Obviously, then, a more sophisticated approach is needed. For taxes that are dependent upon income received, such as the State income tax, one type of income concept is probably a good predictor, whereas, for a tax that is dependent upon spendable income, such as the sales tax, a different type of income concept is more appropriate as a predictor. What is needed for revenue estimation is a more varied approach to the determination of the income variable. The second part of this article is concerned with developing various concepts of income for revenue estimation.

Adjustment of General Fund Tax Receipts for Constant Statutes: 1968-1978

Three matters are of concern when adjusting general fund tax receipts to constant statute general fund tax receipts: the tabulation of the actual

Table 1

Kansas Adjusted Total Tax Collections: Independent of General Fund Allocations

(net of refunds, thousands of dollars)

Tax Source	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Income and Privilege Taxes											
Individual	62,780	57,438	76,175	83,098	92,260	112,897	146,048	169,527	182,198	206,534	241,152
Corporate	47,661	47,489	37,644	39,644	41,469	49,548	61,705	78,329	88,470	108,138	116,372
Financial Institutions	4,539	5,679	5,533	8,831	7,126	7,110	8,142	8,450	7,851	9,810	11,460
Inheritance Tax	7,451	6,698	7,177	8,701	9,325	9,980	12,132	11,446	12,982	17,438	15,271
Sales, Use, and Excise Taxes											
Retail Sales	108,174	118,912	127,044	136,250	155,778	174,130	202,278	224,234	259,109	278,829	304,819
Consumers' Use	7,289	7,476	7,493	7,608	9,108	9,557	10,590	14,842	16,595	18,122	20,314
Retailers' Use	10,544	11,394	11,270	12,256	12,027	12,978	15,392	17,940	17,663	21,392	23,645
Motor and Special Fuel	82,897	87,164	90,633	97,075	103,703	110,903	110,996	108,798	114,432	119,039	123,982
Cereal Malt Beverage	3,317	3,573	3,675	3,705	3,756	3,883	4,021	4,087	4,167	4,209	4,989
Liquor Gallonage	6,795	7,014	7,404	7,824	8,709	9,157	9,922	10,448	10,985	11,274	12,095
Liquor Enforcement	2,407	2,602	2,802	3,118	3,523	3,706	4,068	4,672	5,261	5,437	5,921
Cigarette	17,460	18,032	20,306	23,973	26,534	27,563	28,699	29,731	30,930	31,250	31,263
Tobacco Products	539	545	521	530	539	541	580	642	661	678	706
Corporate Franchise	1,644	1,764	1,722	1,942	2,144	2,406	3,248	3,478	3,922	4,241	4,651
Wheat	423	469	546	547	558	589	654	417	595	686	787
Motor Carrier Property	1,147	1,080	1,392	1,368	1,632	1,773	2,050	2,286	2,670	3,247	3,442
Gross Receipts Taxes											
Insurance Premiums, Foreign	8,694	9,516	10,313	10,857	12,511	13,460	14,673	15,864	17,744	20,287	23,344
Insurance Premiums Domestic	1,257	1,120	1,289	1,485	1,477	1,721	1,914	2,170	2,482	3,023	3,507
Insurance Premiums, Fire Marshal	228	254	282	288	357	387	406	448	505	670	784
Express Car Companies	5	0	0	2	2	1	1	0	0	0	0
Private Car Companies	288	303	300	305	291	315	336	354	323	382	412
Music-Dramatic Companies	1	1	1	1	1	1	1	1	1	1	1
Bingo	528	533	536	537	538	540	540	543	548	553	560
Total	376,068	389,056	414,058	449,945	493,368	553,146	638,396	708,707	780,094	865,240	949,477

collections from each of the twenty-three taxes contributing to the general fund; the adjustment of these collections for any changes in tax laws or administrative procedures that have occurred; and the determination of the contribution of each of these taxes in each year to the general fund. In addition, the process of adjustment also requires that one year be chosen as the standard for all three calculations. For the purposes of this article, the State tax laws, the State administrative procedures, and the allocated portion for each tax destined for the general fund in fiscal year 1978 are used as the standard.

From 1968 to 1978, three types of legal and administrative changes occurred which necessitated adjustment: 1) changes in tax rates, such as the altering of the tax brackets for the individual income tax; 2) changes in the tax base, such as the exemption of the purchase of some farm implements from the retail sales tax or the increase in the personal exemption for the individual income tax; and 3) changes in administrative procedures, such as the increased effort by the Audit Services Bureau of the Revenue Department. Also, some taxes have not existed throughout the eleven years. However, estimates of what their tax revenues would have been had they existed were developed for the time period under study. For example, the bingo and tobacco products taxes were introduced during this period, and, therefore, estimates for the entire period had to be developed.

Further, during the 1968-1978 period, certain modifications were made in the portion of each of the taxes which were allocated to the State general fund. This analysis abstracts from these changes and calculates what the State general fund would have received in each year had the 1978 allocation applied throughout.

Table 1 presents the results of the calculations that adjust actual collections to the 1978 statutes and procedures. The calculated dollar contributions of each of these taxes to the State general fund under 1978 allocation procedures are presented in Table 2. For some of the taxes, such as the individual income tax, Tables 1 and 2 contain the same figures. This is the case for all taxes which are fully deposited to the State general fund. The motor and special fuel taxes are examples for which Table 2 figures are lower than the comparable Table 1

Table 2
Kansas Adjusted Tax Collections: General Fund Allocations

(net of refunds, thousands of dollars)

Tax Source	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Income and Privilege Taxes											
Individual	62,780	57,438	76,175	83,098	92,260	112,897	146,048	169,627	182,198	206,534	241,152
Corporate	47,661	47,489	37,644	39,644	41,469	49,548	61,705	78,329	88,470	108,138	116,372
Financial Institutions	4,539	5,679	5,533	8,831	7,126	7,110	8,142	8,450	7,851	9,810	11,460
Inheritance Tax	7,451	6,698	7,177	8,701	9,325	9,980	12,132	11,446	12,982	17,438	15,271
Sales, Use, and Excise Taxes											
Retail Sales	108,174	118,912	127,044	136,250	155,778	174,130	202,278	224,234	259,109	278,829	304,819
Consumers' Use	7,289	7,476	7,493	7,608	9,108	9,557	10,590	14,842	16,595	18,122	20,314
Retailers' Use	10,544	11,394	11,270	12,256	12,027	12,978	15,392	17,940	17,663	21,392	23,645
Motor and Special Fuel	1,691	1,764	1,819	1,734	1,952	2,061	2,029	2,047	2,153	2,240	2,313
Cereal Malt Beverage	3,317	3,573	3,675	3,705	3,756	3,883	4,021	4,087	4,167	4,209	4,989
Liquor Gallonage	6,224	6,427	6,794	7,217	8,044	8,481	9,206	9,727	10,246	10,529	10,496
Liquor Enforcement	963	1,041	1,121	1,247	1,409	1,482	1,627	1,869	2,104	2,175	2,369
Cigarette	13,095	13,524	15,230	17,980	19,901	20,672	21,524	22,298	23,198	23,438	23,447
Tobacco Products	539	545	521	530	539	541	580	642	661	678	706
Corporate Franchise	1,644	1,764	1,722	1,942	2,144	2,406	3,248	3,478	3,922	4,241	4,651
Wheat	85	94	109	109	112	118	131	103	119	139	164
Motor Carrier Property	1,147	1,080	1,392	1,368	1,632	1,773	2,050	2,286	2,670	3,247	3,442
Gross Receipts Taxes											
Insurance Premiums, Foreign	8,694	9,516	10,313	10,857	12,511	13,460	14,673	15,864	17,744	20,287	23,344
Insurance Premiums, Domestic	1,257	1,120	1,289	1,485	1,477	1,721	1,914	2,170	2,482	3,023	3,507
Insurance Premiums, Fire Marshal	46	51	56	58	71	77	81	90	101	134	157
Express Car Companies	5	0	0	2	2	1	1	0	0	0	0
Private Car Companies	288	303	300	305	291	315	336	354	323	382	412
Music-Dramatic Companies	1	1	1	1	1	1	1	1	1	1	1
Bingo	176	178	179	179	179	180	180	181	183	184	187
Total	287,610	296,067	316,857	345,107	381,014	433,372	517,889	590,065	654,942	735,170	813,218

figures, since less than 100 percent of these taxes is deposited into the State general fund.

Table 3 contains the principal analytical findings of this part of the study. It breaks down the revenue changes for each of the taxes into their component parts. For example, from 1968 to 1978, the actual unadjusted tax yield from the individual income tax rose $178,330 thousand, an increase of 283.87 percent. Table 1 records that adjusted collections rose from $62,780 thousand in 1968 to $241,152 thousand in 1978, an increase of $178,372 thousand or 284.12 percent. The net effect of statute and administrative procedure changes was to decrease individual income tax collections by $42 thousand; this represents a decrease of 0.07 percent from actual 1968 collections. Had the same statutes and procedures existed throughout the period, collections for the corporate income tax would have risen $69 million; however, the actual rise was $98 million. Thus, about $30 million of the actual collection growth was the result of increases in corporate tax rates and/or taxable income and/or the revenue productivity of audit procedures. Table 3 includes similar findings for each of the twenty-three taxes which contribute to the State general fund.

The actual total tax collections for these twenty-three general fund taxes rose by $641,608 thousand or 208.4 percent. The adjusted tax yield rose $573,157 thousand or 152.47 percent. The net effect of the statute and procedure changes was to increase total revenue by 67,295 thousand or 22.15 percent of the actual 1968 revenue.

In terms of the contribution of these taxes (adjusted to 1978 statutes and procedures) to the State general fund (see data shown in Table 2), the rise was from $287,610 thousand in 1968 to $813,218 thousand in 1978, an increase of $525,608 thousand or 182.75 percent. This growth of the State general fund is attributed to the combined effect of (1) increased revenue resulting from economic growth and inflation with constant statutes and administrative procedure, (2) collection increases resulting from statute and procedure changes, and (3) increases in the portion of tax collections allocated to the fund. This third element is important. The data in Tables 1 and 2 show that, in 1968, 76.48 percent ($287 million of $376 million) of adjusted revenue would have been deposited in the general fund and that, in 1978, 85.65 percent ($813 million out of $949 million) was deposited in the fund.

The average annual percentage

Table 3
Analysis of Effect of Statute and Procedure Changes, 1968-1978

Tax Source	Actual Unadjusted		Adjusted		Effect of Statute and Administrative Procedure Changes	
	$ thou.	%	$ thou.	%	$ thou.	%
Income and Privilege Taxes						
Individual	178,330	283.87	178,372	284.12	– 42	– 0.07
Corporate	98,473	550.16	68,711	144.17	29,762	166.28
Financial Institutions	9,648	532.45	6,921	152.48	2,727	150.50
Inheritance	7,820	104.95	7,820	104.95	0	0
Sales, Use, and Excise Taxes						
Retail Sales	196,510	181.43	196,645	181.79	– 135	– 0.12
Consumers' Use	13,605	202.79	13,025	178.69	580	8.65
Retailers' Use	13,113	124.51	13,101	124.25	12	0.11
Motor and Special Fuel	69,566	127.84	41,085	49.56	28,481	52.34
Cereal Malt Beverage	2,748	122.62	1,672	50.41	1,076	48.01
Liquor Gallonage	7,960	192.50	5,300	78.00	2,660	64.33
Liquor Enforcement	3,514	145.99	3,514	145.99	0	0
Cigarette	13,803	79.05	13,803	79.05	0	0
Tobacco Products	706	∞	167	30.98	539	∞
Corporation Franchise	3,829	465.82	3,007	182.91	822	100.00
Wheat	346	86.05	364	86.05	0	0
Motor Carrier Property	2,295	200.09	2,295	200.09	0	0
Gross Receipts Tax						
Insurance Premiums, Foreign	14,650	168.51	14,650	168.51	0	0
Insurance Premiums, Domestic	3,507	∞	2,250	179.00	1,257	∞
Insurance Premiums, Fire Marshal	556	243.86	556	243.86	0	0
Express Car Companies	– 5	—	– 5	—	0	0
Private Car Companies	124	43.06	124	43.06	0	0
Music-Dramatic Companies	– 1	0	0	0	– 1	0
Bingo	493	∞	32	6.06	461	∞
Total	641,608	208.40	573,157	152.47	68,199	22.15

growth (compounded yearly for ten years) for actual tax collections from the twenty-three taxes was 11.99 percent. The comparable figure for collections from the twenty-three adjusted taxes is 9.72 percent. Finally, the total contribution of these twenty-three adjusted taxes to the State general fund average annual increase was 16.97 percent. Thus, annually, actual collections rose by 11.99 percent, adjusted collections by 9.72 percent, and State general fund receipts by 10.97 percent. These differences are accounted for by changes in Kansas tax statutes, administrative procedure changes, and different portions of taxes allocated to the State general fund and by differential tax growth over the period.

Another means of analyzing these figures is by applying the economic concept of income elasticity. Income elasticity measures the responsiveness of the percentage change of tax collections to the percentage changes in income by dividing the percentage change for each tax collection by the percentage change in Kansas personal income. Between the calendar years 1967 and 1977, Kansas personal income rose from $6,630 million to $16,333 million, an increase of 146 percent. The individual income tax, adjusted to 1978 statutes, rose 284 percent, as calculated from the data in Table 1. The income elasticity of the personal income tax is, then, 1.89. This figure can be interpreted to mean that a 10 percent increase in Kansas personal income resulted in a 18.9 percent increase in personal income tax collections. Comparable figures for each of the twenty-three taxes are shown in Table 4. Total Kansas tax collections, adjusted to 1978 statutes and administrative procedures, exhibited an income elasticity of 1.02. Thus, a 10 percent increase in Kansas personal income can be expected to produce a 10.2 percent increase in Kansas tax yields, so long as Kansas statutes and procedures are not changed. In other words, when personal income in Kansas increases, tax receipts for the general fund will increase at a slightly higher rate than that of personal income.

The Development of a Variety of Income Concepts

Kansas personal income, which represents the second component that needs to be revised if the linear regression equation is to forecast with greater precision State tax revenue, is a measure of the total income received by Kansans. Granted, it is an excellent measure for the objectives of the U.S. Department of Commerce, but it is not a good tool for estimating Kansas tax revenues (as discussed above). The fact is that personal income is a poor predictor of individual income tax collections and of most consumption tax collections, such as the retail sales tax. In order to predict these Kansas tax revenues more accurately—and, thus, the total general fund revenues—two different income concepts have to be developed: income flow and money flow. **Income flow** measures a flow of dollars that, depending on a taxpayer's particular situation, could lead to an income tax obligation. **Money flow** measures spendable income before taxes and social security payments and, hence, should be more closely related to purchases and, for example, retail sales tax collections.

The first step in the development of both of these flows is the elimination of the imputed incomes which are included in personal income. Again, imputed income is eliminated because it does not reflect income that is either taxable *or* spendable. The elimination of imputed income affects interest, rents, and farm proprietors' income. The new value for farm income is calculated from *State Farm Income Statistics* (U.S. Department of Agriculture, "Economics, Statistics, and Cooperative Services," September, 1978, p. 23). "Non-money income" is subtracted from "net farm income before inventory adjustment" to produce the value for farm income for the two new income concepts. It should be noted that this procedure abstracts from farm inventory changes because such changes are irrelevant to either income flow or money flow concepts. "Money interest" and "money rents" are substituted for "interest" and "rents" in the personal income account—a substitution equivalent to subtracting imputed interest and imputed rents.

In the second step, "other labor income" and "transfer payments" are eliminated from the development of the income flow measure because they are not likely to produce an individual income tax liability. In the development of the money flow measure, "transfer payments," which are dollar receipts to individuals, are retained, and "total compensation for injuries" is substituted for "other labor income." The rest of "other labor income" is non-money income—for example, employer contributions to private pension plans fall into this category—and is eliminated from the money flow measure.

Finally, "contributions to social insurance" are subtracted from the total money flow while they are ignored when estimating income flow. This subtraction is performed because, whether the dollars are received or not, an individual income tax liability would be levied on this amount of income.

Table 4

Income Elasticity of Kansas Adjusted Taxes, 1968-1978

Tax Source	Income Elasticity
Income and Privilege Taxes	
Individual	1.94
Corporate	0.99
Financial Institutions	1.04
Inheritance Tax	0.72
Sales, Use, and Excise Taxes	
Retail Sales	1.24
Consumers' Use	1.22
Retailers' Use	0.85
Motor and Special Fuel	0.34
Cereal Malt Beverage	0.34
Liquor Gallonage	0.53
Liquor Enforcement	1.00
Cigarette	0.54
Tobacco Products	0.21
Corporation Franchise	1.25
Wheat	0.59
Motor Carrier Property	1.37
Gross Receipts Taxes	
Insurance Premiums, Foreign	1.15
Insurance Premiums, Domestic	1.22
Insurance Premiums, Fire Marshal	1.67
Express Car Companies	—
Private Car Companies	0.29
Music-Dramatic Companies	—
Bingo	0.04
Total	1.04

Kansas personal income, as estimated by the U.S. Department of Commerce, and the calculated income flow and money flow are shown in Table 5. Data for each year from 1968 to 1977 are provided.

As the comparative data in Table 5 suggest, an example of a tax where the income flow concept is a better predictor of tax receipts than personal income is the Kansas individual income tax. The following is the single variable regression equation obtained by comparing changes in individual income tax receipts with changes in personal income.

$\Delta T = 105.03 + 19.32\Delta Y_1 \quad R^2 = 0.6877$

ΔT = the yearly change in tax receipts

ΔY_1 = the yearly change in personal income

A half-year lag was used in this regression, i.e., the change in personal income from 1976 to 1977 is compared with the change in tax receipts from FY 1977 to FY 1978. Ten years of data were used (nine pairs of numbers representing annual changes in the variables).

With data from the same years and with the same half-year lag between income and tax receipts, a new regression was run using the income flow concept rather than personal income. The result was a better "fit" as can be seen below.

$\Delta T = 4077.13 + 19.12\Delta Y_2$

$R^2 = 0.8279$

The high value for R^2, it is hoped, will translate into more precision in the forecast.

Conclusion

The purpose of this article has been to provide better data for general fund tax receipt estimation. This intent evolved in two steps: the tax receipt

Table 5

Derivation of Refined Personal Income

(in millions of dollars)

Personal Income	**1968**	**1969**	**1970**	**1971**	**1972**	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**
Wage & Salary Disbursements	4,061	4,395	4,644	4,947	5,401	6,061	6,762	7,443	8,331	9,210	10,436
Other Labor Income	227	248	279	315	365	426	502	622	744	884	1,041
Proprietor's Income											
—Farm	315	385	505	614	871	1,373	862	622	413	504	760
—Nonfarm	654	679	660	675	784	809	852	927	1,066	1,128	1,239
Dividends	151	172	191	203	205	221	269	307	358	372	417
Interest	496	571	654	704	750	864	1,106	1,288	1,411	1,556	1,793
Rents	425	400	396	446	477	589	648	634	563	584	598
Transfer Payments	640	708	835	952	1,019	1,189	1,380	1,665	1,831	2,005	2,155
Contributions to Social Insurance	226	256	274	302	305	415	507	563	578	639	734
Residence Adjustment	409	456	483	490	526	569	603	631	674	728	800
Totals	7,152	7,758	8,374	9,044	10,092	11,685	12,477	13,577	14,814	16,333	18,505
Income Flow											
Wage & Salary Disbursements	4,061.3	4,395.0	4,643.7	4,947.0	5,400.5	6,060.7	6,762.1	7,443.0	8,331.4	9,209.7	10,436.2
Other Labor Income	0	0	0	0	0	0	0	0	0	0	0
Proprietor's Income											
—Farm	184.2	259.5	383.7	431.6	794.2	1,372.7	862.2	621.7	265.8	426.2	415.8
—Nonfarm	654.3	679.2	659.7	675.5	784.2	809.0	851.9	927.2	1,065.7	1,128.0	1,239.3
Dividends	150.6	171.0	191.4	202.8	205.1	220.7	269.3	307.3	357.5	372.4	417.3
Interest	311.6	365.8	427.6	455.9	480.8	556.5	722.2	852.1	939.7	1,027.9	1,166.3
Rents	326.8	306.3	302.8	344.8	371.4	491.3	556.3	520.6	457.6	479.6	495.3
Transfer Payments	0	0	0	0	0	0	0	0	0	0	0
Contributions to Social Insurance	0	0	0	0	0	0	0	0	0	0	0
Residence Adjustment	409.2	455.6	482.6	490.0	525.8	568.8	603.2	631.4	673.9	728.4	799.7
Totals	6,098.0	6,632.4	7,091.5	7,547.6	8,562.0	10,079.7	10,627.2	11,303.3	12,091.6	13,372.2	14,969.9
Money Flow											
Wage & Salary Disbursements	4,061.3	4,395.0	4,643.7	4,947.0	5,400.5	6,060.7	6,762.1	7,443.0	8,331.4	9,209.7	10,436.2
Other Labor Income	30.0	30.1	31.8	31.5	34.6	36.7	50.4	66.7	80.2	100.8	120.8
Proprietor's Income											
—Farm	184.2	259.5	383.7	431.6	794.2	1372.7	862.2	621.7	265.8	426.2	415.8
—Nonfarm	654.3	679.2	659.7	675.5	784.2	809.0	851.9	927.2	1,065.7	1,128.0	1,239.3
Dividends	150.6	171.0	191.4	202.8	205.1	220.7	269.3	307.3	357.5	372.4	417.3
Interest	311.6	365.8	427.6	455.9	480.8	556.5	722.2	852.1	939.7	1,027.9	1,166.3
Rents	326.8	306.3	302.8	344.8	371.4	491.3	556.3	520.6	457.6	479.6	495.3
Transfer Payments	640.2	708.2	835.2	952.2	1,019.0	1,189.1	1,380.0	1,665.3	1,830.9	2,005.4	2,154.9
Contributions to Social Insurance	226.5	255.6	273.9	301.7	305.0	414.9	507.4	563.3	577.8	638.6	733.6
Residence Adjustment	409.2	455.6	482.6	490.0	525.8	568.8	603.2	631.4	673.9	728.4	799.7
Totals	6,541.7	7,115.1	7,684.6	8,229.6	9,310.6	10,890.6	11,550.2	12,472.0	13,424.9	14,839.8	16,512.0

data were adjusted to constant statute tax receipt data, and two alternative concepts of income, income flow and money flow, were developed. The first step abstracts from structural changes in the tax collection process because, without a constant structural tax collection process, a regression equation using unadjusted historical tax receipt data is meaningless. The second step provides a more sophisticated approach to the income variable used in the regression equation. With a variety of income concepts available, it is possible to choose an income concept that correlates better with a particular tax than does personal income.

Kansas in December

General Business

The erratic and ambiguous behavior of the national economy in 1979 continued into the early part of 1980. The much heralded recession of 1979 failed to materialize although the national economy experienced negative growth during the second quarter of 1979. As a result, unemployment remained at about the same level in 1979 as in 1978. The hoped for dampening of price increases in 1979 was as notable in its absence as was the recession. Inflation in 1979 was pushed beyond the single-digit level by the series of surges in oil prices due to OPEC pricing policy and, in part, to the political events in Iran. Attempts by the Federal Reserve to get the money supply under control resulted in record breaking interest rates in the third and fourth quarters of 1979 without clear evidence that the money supply had been controlled.

And 1980 begins with the general expectation of the inevitable recession of 1979 pushed back to sometime in 1980. Unfortunately for economic prognosticators, the recent data made available do not point to a recession. Instead, the outlook for 1980 is more of the same: more inflation, high interest rates, a small increase in unemployment, and slow growth in production. But, as the recent past indicates, any economic projection is subject to the qualification "if the national and international political situation does not experience a major alteration."

For Kansas, 1979 proved to be a good year, the third good year in a row. Employment increased substantially during the year, the unemployment rate remained about one half of the national average, and farm prices remained generally high for the year. The only weak sector in the economy was retail sales; they grew over the year but at a rate substantially less than that of inflation. The average manufacturing wage in Kansas just kept up with the rate of inflation over the past year, in large part because of the year's late surge in manufacturing wages (from August to December, a 9.39 percent increase).

The outlook for Kansas appears brighter than the outlook for the national economy, although how much brighter has become more uncertain due to the President's apparent intent to use farm exports as a political tool in foreign affairs. The December spurt in unemployment and initial claims for unemployment insurance follows the seasonal pattern set in the last few years with the exception that this year the increase came a month earlier. (See Table I.)

TABLE I
GENERAL BUSINESS INDICATORS

	Dec. 1979	Nov. 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1978
Manufacturing					
Average Work Week (hrs.)	41.70	41.40	0.7	41.00	40.70
Average Weekly Earnings (dollars)	298.57	292.70	2.0	279.95	240.99
Initial Claims for					
Unemployment Insurance	12,501.00	8,199.00	52.5	7,796.00	8,082.00
New Incorporations					
In-State	505.00	309.00	63.4	370.00	336.00
Out-of-State	117.00	68.00	72.1	92.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

Employment

The December figures for nonfarm wage and salary employment point to the continued, steady growth in Kansas employment. Employment in all industries grew 0.4 percent from November to December. Of the ten major categories of employment, only contract construction, transportation and public utilities, and federal government had declines in their level of employment; and contract construction, because of the work's seasonal nature, was the only category to have a significant drop in its level of employment (2.8 percent). The category with the largest growth in employment for December was, naturally, retail sales.

From December 1978 to December 1979, employment in all industries increased 3.6 percent. Four categories of employment experienced greater growth in employment than the average for all industries: manufacturing (4.3 percent), mining (7.9 percent), contract construction (11.6 percent), and services (5.3 percent). The growth in manufacturing—as it has been all year—was primarily in the area of durable goods. Even though housing construction suffered in 1979, contract construction has remained high all year. The growth in mining employment is primarily in the area of oil and gas extraction which becomes increasingly profitable as oil prices soar. (See Table II.)

Regional Employment

Two seemingly different images are implied by the December regional employment data provided the Research and Analysis Section of the Kansas Department of Human Resources. These two images are dependent upon the time-frame used for analysis. From November to December, seven of the eleven regional areas had an increase in their unemployment rate, only two had a decline in their unemployment rate, and in two areas the unemployment rate did not change. The rise in the unemployment rate, in most cases, was the result of a significant increase in the number of unemployed rather

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
All Industries	968.1	964.2	0.4	934.1	3.6
Manufacturing	203.5	203.0	0.2	195.1	4.3
Durable Goods	135.6	135.3	0.2	127.9	6.0
Stone, Clay, Glass	10.4	10.2	2.0	9.7	7.2
Primary Metals	3.9	4.0	– 2.5	3.9	0.0
Fabricated Metal Products	13.7	13.8	– 0.7	14.1	– 2.8
Machinery (incl. elec.)	34.5	34.4	0.3	33.2	3.9
Transportation Equipment	60.0	59.5	0.8	53.6	11.9
Aircraft & Parts	49.6	49.3	0.6	42.2	17.5
Other Durable Goods	13.2	13.4	– 1.5	13.4	– 1.5
Nondurable Goods	67.9	67.7	0.3	67.2	1.0
Food & Kindred Products	23.9	24.0	– 0.4	23.2	3.0
Meat Products	9.3	9.4	– 1.1	8.6	8.1
Apparel	3.4	3.5	– 2.9	3.6	– 5.6
Printing & Publishing	16.8	16.4	2.4	15.8	6.3
Chemicals	8.7	8.6	1.2	8.4	3.6
Petroleum & Coal	4.8	4.8	0.0	4.6	4.3
Other Nondurable	10.3	10.4	– 1.0	11.6	– 11.2
Mining	13.6	13.5	0.7	12.6	7.9
Oil & Gas Extraction	11.2	11.2	0.0	10.5	6.7
Contract Construction	52.1	53.6	– 2.8	46.7	11.6
Trans., Comm., Elec., Gas	67.1	67.8	– 1.0	65.2	2.9
Wholesale Trade	62.4	62.0	0.6	60.9	2.5
Retail Trade	170.9	166.5	2.6	166.5	2.6
Finance, Insurance, Real Estate	47.5	47.3	0.4	45.6	4.2
Services	166.4	166.0	0.2	158.0	5.3
Federal Government	25.7	25.8	– 0.4	25.6	0.4
State & Local Government	158.9	158.7	0.1	157.9	0.6

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Kansas—Statewide					
Civilian Labor Force	1,215,700	1,209,900	0.5	1,176,400	3.3
Employed	1,176,900	1,177,100	– 0.0	1,142,000	3.1
Farm	51,500	56,000	– 8.0	52,300	– 1.5
Non-Farm	1,125,400	1,121,100	0.4	1,089,700	3.3
Unemployed	38,800	32,800	18.3	34,400	12.8
Rate	3.2%	2.7%		2.9%	
Lawrence SMSA					
Civilian Labor Force	34,600	34,600	0.0	32,700	5.8
Employed	33,500	33,700	– 0.6	31,700	5.7
Farm	600	700	– 14.3	700	– 14.3
Non-Farm	32,900	33,000	– 0.3	31,000	6.1
Unemployed	1,100	900	22.2	1,000	10.0
Rate	3.2%	2.6%		3.1%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	273,000	270,600	0.9	262,900	3.8
Employed	264,000	261,600	0.9	254,400	3.8
Farm	1,100	1,200	– 8.3	1,200	– 8.3
Non-Farm	262,900	260,400	1.0	253,200	3.8
Unemployed	9,000	9,000	0.0	8,500	5.9
Rate	3.3%	3.3%		3.2%	
Topeka SMSA					
Civilian Labor Force	93,400	93,100	0.3	93,300	0.1
Employed	90,000	89,900	0.1	89,900	0.1
Farm	1,500	1,600	– 6.3	1,600	– 6.3
Non-Farm	88,500	88,300	0.2	88,300	0.2
Unemployed	3,400	3,200	6.3	3,400	0.0
Rate	3.6%	3.4%		3.6%	
Wichita SMSA					
Civilian Labor Force	226,500	226,300	0.1	214,500	5.6
Employed	220,800	221,300	– 0.2	208,400	6.0
Farm	2,100	2,300	– 8.7	2,100	0.0
Non-Farm	218,700	219,000	– 0.1	206,300	6.0
Unemployed	5,700	5,000	14.0	6,100	– 6.6
Rate	2.5%	2.2%		2.8%	

than a decline in the civilian labor force. This phenomenon mirrors the statewide experience where the number of unemployed increased 18.3 percent while the size of the civilian labor force also increased.

However, if a more long-term view is taken, a different image of the Kansas regional employment situation develops. From December 1978 to December 1979, seven of the regional areas experienced a decline in their unemployment rate, three had a rise in their unemployment rate, and in one area the rate remained the same. Thus, even with the sudden December spurt in unemployment, the regional employment situation is better than a year ago. In previous years, there has always been a surge in Kansas unemployment during the winter. The difference this year is that it came in December whereas, before, it usually came in January. The January unemployment figures should indicate whether the surge this year was simply premature or, perhaps, a beginning sign of a change in the State's strong employment record. (See Table III.)

Retail Sales

There are two problems to confront before the retail sales tax data can be interpreted: (1) the data is misleading, particularly the September 1979 data. As a result, any quarterly average containing September 1979 data is distorted. (2) Further, beginning in July 1979, residential housing was exempted from the retail sales tax on public utilities. However, if the quarter ending in August is compared to the quarter ending in December, thus eliminating the distorting September numbers, a different—more revealing—picture emerges than that shown in Table IV. Apparel sales over the revised time period increased 11.7 percent instead of 18.1 percent, automotive sales increased 0.6 percent instead of 7.1 percent, food sales declined instead of increasing, and total retail sales (excluding public utilities) increased only 2.5 percent instead of 7.4 percent. The only general conclusion that can be drawn is that retail sales in Kansas have grown since the summer, possibly at the rate equal to the inflation rate but more probably at a lower rate.

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,575	17,675	– 0.6	17,225	2.0
Employed	17,300	17,325	– 0.1	16,925	2.2
Farm	775	825	– 6.1	775	0.0
Non-Farm	16,525	16,500	0.2	16,150	2.3
Unemployed	275	350	– 21.4	300	– 8.3
Rate	1.6%	2.0%		1.7%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,525	16,575	– 0.3	16,400	0.8
Employed	15,975	16,000	– 0.2	15,750	1.4
Farm	700	750	– 6.7	700	0.0
Non-Farm	15,275	15,250	0.2	15,050	1.5
Unemployed	550	575	– 4.3	650	– 15.4
Rate	3.3%	3.5%		4.0%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,825	18,100	– 1.5	17,525	1.7
Employed	17,375	17,725	– 2.0	17,050	1.9
Farm	675	725	– 6.9	675	0.0
Non-Farm	16,700	17,000	– 1.8	16,375	2.0
Unemployed	450	375	20.0	475	– 5.3
Rate	2.5%	2.1%		2.7%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,975	20,975	0.0	21,375	– 1.9
Employed	20,425	20,425	0.0	20,900	– 2.3
Farm	500	550	– 9.1	500	0.0
Non-Farm	19,925	19,875	0.3	20,400	– 2.3
Unemployed	550	550	0.0	475	15.8
Rate	2.6%	2.6%		2.2%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	32,250	32,075	0.5	31,525	2.3
Employed	31,475	31,375	0.3	30,625	2.8
Farm	1,075	1,175	– 8.5	1,100	– 2.3
Non-Farm	30,400	30,200	0.7	29,525	3.0
Unemployed	775	700	10.7	900	– 13.9
Rate	2.4%	2.2%		2.9%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,675	21,750	– 0.3	21,100	2.7
Employed	21,125	21,250	– 0.6	20,475	3.2
Farm	850	950	– 10.5	875	– 2.9
Non-Farm	20,275	20,300	– 0.1	19,600	3.4
Unemployed	550	500	10.0	625	– 12.0
Rate	2.5%	2.3%		3.0%	
Saline Co.—Salina Area					
Civilian Labor Force	25,575	25,600	– 0.1	25,300	1.1
Employed	24,825	24,925	– 0.4	24,550	1.1
Farm	575	625	– 8.0	575	0.0
Non-Farm	24,250	24,300	– 0.2	23,975	1.1
Unemployed	750	675	11.1	750	0.0
Rate	2.9%	2.6%		3.0%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Dec. * 1979	Sept.* 1979	% change	Dec. 1978	% change
Apparel	28.3	24.0	18.1	24.5	15.5
Automotive	215.0	200.7	7.1	184.9	16.3
Food	231.4	227.3	1.8	207.1	11.7
Furniture	43.1	39.2	10.0	38.5	11.9
General Merchandise	140.3	137.1	2.3	123.5	13.6
Lumber and Building Materials	100.9	92.8	8.7	88.8	13.6
Professional and Personal Service	40.4	38.0	6.4	36.5	10.7
Public Utilities	41.1	69.8	− 41.1	95.4	− 56.9
Unclassified	102.8	94.3	9.0	80.6	27.5
Farm and Garden Products	1.0	0.9	7.1	0.8	25.0
Manufacturing and Trading	81.7	71.8	13.7	66.0	23.8
Miscellaneous	1.9	2.2	− 13.4	2.0	− 0.5
Total	1027.8	998.1	3.0	948.6	8.4

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

A comparison of figures for the quarter ending in December 1978 with the quarter ending in December 1979 provides a clearer picture of the Kansas retail sales situation. All of the major categories of retail sales are up more than 10 percent from the previous year except public utilities, which should be ignored for the reason stated above, and miscellaneous items, which is an insignificant category. Total retail sales are up 15.7 percent over the same quarter a year ago. However, these figures must be tempered with the consideration of inflation. Retail prices, as measured by the consumer price index for Kansas City, rose 17.6 percent from December 1978 to December 1979. Thus, in real terms retail sales actually declined during this period. The real decline in retail sales during 1979 is not a phenomenon limited to Kansas. Nationally, 1979 saw a real decline in retail sales. (See Table IV.)

County Retail Sales

The county retail sales picture has improved from what it was for the last few months. From September to December, 25 counties had increases in retail sales of more than 10 percent, 53 counties had increases of between zero and ten percent, and 26 counties had declines in their retail sales. There seems to be no geographic pattern to these various changes in retail sales. From December 1978 to December 1979, thirty counties had increases of more than 20 percent in their retail sales, 54 counties had increases between 10 and 20 percent in their retail sales, and 21 counties experienced either declines or increases of less than 10 percent in their retail sales. Again, there seems to be no geographical pattern to these changes over the year in retail sales. (See Table V.)

Farm Prices

The prices received by Kansas farmers for field crops have been on a roller-coaster ride for the past year. From November to December, two of the five major field crops had a drop in price—wheat (− 3.6 percent) and sorghum (− 2.8 percent); two had a slight increase in price—corn (1.2 percent) and soybeans (1.4 percent); and the price of hay remained the same. Six months ago, all of the field crops had a higher price than in December, and a year ago three of the field crops had significantly lower prices (wheat, − 28.9 percent; sorghum, − 12.8 percent; and corn, − 9.6 percent), and hay and soybeans had modestly lower prices.

Only two of the livestock and livestock product prices dropped from November to December—calves (0.6 percent) and milk (1.5 percent). The other livestock prices showed healthy rises, particularly hogs (9.6 percent) and lambs (5.6 percent). Compared to a year ago, all of the livestock and livestock product prices were lower, except hog prices. However, nine months ago, all of the livestock prices were significantly higher than in December 1979. Milk prices were lower nine months ago.

The prices paid by Kansas farmers have steadily risen over the past year. From November to December, only bran prices fell (− 2.5 percent). Beef concentrate and hog concentrate both remained at the same price, and soybean meal, 16 percent dairy feed, and laying feed prices all increased. The prices paid by farmers this December as compared to last December were all higher; however, their price increases were all less than 13.0 percent. (See Table VI.)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Dec. 1979	Sales * Sept. 1979	Change From Sept. 1979 (%)	Sales * Dec. 1978	Change From Dec. 1978 (%)
Allen	5,337	4,876	9.5	4,630	15.3
Anderson	2,553	2,396	6.6	2,315	10.3
Atchison	4,956	4,502	10.1	4,385	13.0
Barber	2,576	2,505	2.8	1,955	31.8
Barton	24,208	22,247	8.8	20,062	20.7
Bourbon	5,668	5,383	5.3	5,041	12.5
Brown	3,734	3,270	14.2	3,360	11.1
Butler	16,062	14,263	12.6	12,908	24.4
Chase	798	650	22.6	755	5.7
Chautauqua	1,112	1,119	– 0.6	977	13.8
Cherokee	4,332	4,153	4.3	3,950	9.7
Cheyenne	1,413	1,306	8.2	1,217	16.1
Clark	649	574	12.9	512	26.7
Clay	3,112	3,336	– 6.7	2,917	6.7
Cloud	4,571	4,225	8.2	4,316	5.9
Coffey	2,245	2,200	2.0	1,987	13.0
Comanche	584	658	– 11.4	503	16.0
Cowley	13,316	12,557	6.0	11,495	15.8
Crawford	12,744	12,102	5.3	11,570	10.1
Decatur	1,692	1,559	8.6	1,268	33.4
Dickinson	5,944	5,992	– 0.8	5,429	9.5
Doniphan	2,385	1,954	22.0	1,944	22.7
Douglas	23,694	21,164	12.0	21,047	12.6
Edwards	1,095	968	13.1	863	26.9
Elk	673	629	6.9	607	10.7
Ellis	13,354	12,521	6.7	11,874	12.5
Ellsworth	1,954	2,027	– 3.6	1,992	– 1.9
Finney	15,669	15,235	2.8	13,533	15.8
Ford	15,160	14,397	5.3	12,307	23.2
Franklin	6,998	6,642	5.4	6,266	11.7
Geary	8,450	8,330	1.4	7,742	9.1
Gove	1,402	1,215	15.4	1,147	22.3
Graham	1,683	1,708	– 1.5	1,325	27.0
Grant	3,768	3,472	8.5	3,057	23.3
Gray	1,837	1,903	– 3.5	1,377	33.4
Greeley	517	697	– 25.8	514	0.7
Greenwood	2,905	2,753	5.5	2,545	14.1
Hamilton	802	869	– 7.7	692	15.8
Harper	2,907	2,840	2.4	2,302	26.3
Harvey	9,643	8,719	10.6	8,376	15.1
Haskell	1,109	1,064	4.3	1,050	5.6
Hodgeman	392	398	– 1.6	330	18.7
Jackson	2,418	2,097	15.3	2,173	11.3
Jefferson	3,211	2,925	9.8	2,630	22.1
Jewell	979	901	8.7	870	12.6
Johnson	124,522	113,251	10.0	106,702	16.7
Kearny	760	650	17.0	634	20.0
Kingman	2,644	2,430	8.8	1,994	32.6
Kiowa	1,404	1,296	8.4	1,091	28.7
Labette	8,234	7,507	9.7	7,107	15.9
Lane	913	829	10.1	696	31.2
Leavenworth	12,052	11,355	6.1	11,262	7.0
Lincoln	1,069	1,218	– 12.2	1,026	4.2

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Dec. 1979	Sales * Sept. 1979	Change From Sept. 1979 (%)	Sales * Dec. 1978	Change From Dec. 1978 (%)
Linn	1,991	1,850	7.6	1,714	16.2
Logan	2,109	1,799	17.2	1,552	35.9
Lyon	13,664	12,285	11.2	11,766	16.1
McPherson	10,256	9,714	5.6	8,719	17.6
Marion	3,900	3,552	9.8	3,283	18.8
Marshall	4,062	3,904	4.0	3,513	15.6
Meade	1,483	1,286	15.3	1,142	29.8
Miami	6,342	5,397	17.5	5,289	19.9
Mitchell	3,733	3,516	6.2	3,119	19.7
Montgomery	15,855	14,868	6.6	13,731	15.5
Morris	1,542	1,408	9.5	1,323	16.5
Morton	1,204	1,094	10.1	1,048	14.9
Nemaha	3,444	3,152	9.3	2,912	18.2
Neosho	7,962	6,922	15.0	6,715	18.6
Ness	1,880	1,591	18.1	1,375	36.7
Norton	2,361	2,245	5.2	2,003	17.9
Osage	3,457	3,155	9.6	2,876	20.2
Osborne	1,774	1,758	0.9	1,745	1.7
Ottawa	1,175	1,255	– 6.4	1,089	7.9
Pawnee	3,222	3,152	2.2	2,500	28.9
Phillips	2,666	2,540	4.9	2,171	22.8
Pottawatomie	4,945	4,010	23.3	3,738	32.3
Pratt	5,081	5,129	– 0.9	4,276	18.8
Rawlins	982	1,011	– 2.8	848	15.8
Reno	29,393	27,840	5.6	26,483	11.0
Republic	2,675	2,333	14.7	2,182	22.6
Rice	3,253	3,127	4.0	2,898	12.3
Riley	15,800	14,383	9.9	15,066	4.9
Rooks	3,523	3,389	4.0	2,736	28.8
Rush	1,450	1,292	12.2	1,065	36.2
Russell	5,195	4,928	5.4	4,157	25.0
Saline	28,238	26,968	4.7	23,987	17.7
Scott	2,553	2,710	– 5.8	2,402	6.3
Sedgwick	195,809	182,221	7.5	171,313	14.3
Seward	11,500	11,429	1.5	10,654	8.9
Shawnee	72,264	72,997	– 1.0	69,144	4.5
Sheridan	1,294	1,368	– 5.4	1,175	10.1
Sherman	4,216	4,203	0.3	3,684	14.4
Smith	1,787	1,994	– 10.4	1,604	11.4
Stafford	1,551	1,585	– 2.1	1,310	18.4
Stanton	716	619	15.8	605	18.3
Stevens	1,548	1,574	– 1.6	1,285	20.5
Sumner	5,819	6,248	– 6.9	5,302	9.8
Thomas	4,619	4,785	– 3.5	4,188	10.3
Trego	1,338	1,425	– 6.1	1,355	– 1.2
Wabaunsee	1,115	1,152	– 3.2	1,012	10.2
Wallace	670	665	0.7	560	19.5
Washington	2,014	2,046	– 1.5	1,818	10.8
Wichita	961	941	2.2	856	12.3
Wilson	2,873	2,667	7.7	2,643	8.7
Woodson	1,206	1,063	13.4	909	32.6
Wyandotte	61,374	60,587	1.3	56,504	8.6

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change	Annual Avg. 1978
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.79	3.93	-3.6	2.94	28.9	2.72
Corn (bu.)	2.50	2.47	1.2	2.28	9.6	2.21
Sorghum (cwt.)	3.78	3.89	-2.8	3.35	12.8	3.29
Hay (ton)	48.00	48.00	0.0	49.50	-3.0	40.88
Soybeans (bu.)	5.94	5.86	1.4	6.28	-5.4	6.17
Livestock & Products						
Beef Cattle (cwt.)	67.40	66.00	2.1	60.00	12.3	50.72
Calves (cwt.)	86.50	87.00	-0.6	73.20	18.2	58.78
Hogs (cwt.)	37.70	34.40	9.6	49.40	-23.7	47.66
Lambs (cwt.)	64.50	61.10	5.6	62.20	3.7	59.47
Sheep (cwt.)	21.30	20.30	4.9	19.00	12.1	13.33
Milk (cwt.)	12.80	13.00	-1.5	12.00	6.7	10.73
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.50	12.00	4.2	11.50	8.7	10.92
Bran (cwt.)	7.90	8.10	-2.5	7.00	12.9	6.27
Beef Conc. (cwt.)	10.00	10.00	0.0	9.10	9.9	8.58
16% Dairy Feed (ton)	163.00	160.00	1.9	146.00	11.6	138.17
Hog Conc. (cwt.)	14.00	14.00	0.0	13.00	7.7	12.31
Laying Feed (ton)	189.00	183.00	3.3	175.00	8.0	160.08

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

Financial Activity

The December Kansas banking data indicate that the Kansas banking situation has stabilized after the dramatic policy change on the part of the Federal Reserve last fall. From October to November, the loan-to-deposit ratio fell significantly for the State and in each of the regional banking centers. This trend was generally halted in December, with only Wichita banks experiencing a significant drop in their loan-to-deposit ratio. The most interesting development in December was the large increase in demand deposits statewide and in the three banking centers. This situation was not solely a Kansas phenomenon. Nationwide, demand deposits rose about 8.0 percent in December.

Although the Kansas banking situation has stabilized, the loan-to-deposit ratio has stabilized at a lower level than last year. The December 1979 statewide loan-to-deposit ratio is 3.0 percent below the December 1978 figure, and each of the banking centers also experienced a drop in their loan-to-deposit ratio over the year. Also of interest is the small increase in loans in the past year. For the State and for each of the banking centers, December 1979 loans were up less than 5.0 percent above the December 1978 figure. (See Table VII.)

The December figures for savings and loan institutions reveal that 1979 ended as it began—with depressed activity. The dramatic increase in net new savings for the month was only due to the quarterly accounting of interest payments to savings accounts, and, when compared to a year ago, new savings were down 38.7 percent. Mortgage loans made in December 1979 were less than half the figure for December 1978. (See Table VIII.)

Consumer Prices

The Kansas City consumer price index for the two-month period ending in December 1979 shows that all items increased by 1.7 percent—a rise that translates into a 12.5 percent yearly rate. For the two-month period, all major items, except apparel, increased in price within a range of 3.0 percent for transportation to 0.2 percent for entertainment.

Over the year, the prices for all items rose by 17.6 percent. This dramatic, double-digit increase was fueled by a 24.3 percent rise in housing costs. Transportation costs and medical care prices rose dramatically as well: by 20 percent and 11.6 percent respectively. The other increases were in a range from 2.6 percent in apparel prices to 9.7 percent for other goods and services. (See Table IX.)

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Kansas—Statewide					
Loans	7,926	7,611	4.1	7,554	4.9
Demand Deposits	4,515	4,011	12.6	4,271	5.7
Time & Saving Deposits	8,370	8,293	0.9	7,433	12.6
Loan-to-Deposit Ratio	61.5%	61.9%		64.5%	
Kansas City (Wyandotte)					
Loans	510	514	– 0.8	524	– 2.7
Demand Deposits	279	246	13.4	287	– 2.8
Time & Saving Deposits	578	597	– 3.2	535	8.0
Loan-to-Deposit Ratio	59.5%	61.0%		63.7%	
Topeka (Shawnee)					
Loans	493	493	0.0	470	4.9
Demand Deposits	345	294	17.3	301	14.6
Time & Saving Deposits	510	564	– 9.6	502	1.6
Loan-to-Deposit Ratio	57.7%	57.5%		58.5%	
Wichita (Sedgwick)					
Loans	1,212	1,200	1.0	1,194	1.5
Demand Deposits	916	783	17.0	806	13.6
Time & Saving Deposits	1,124	1,094	2.7	983	14.3
Loan-to-Deposit Ratio	59.4%	63.9%		66.7%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Net New Savings	43,656	9,611	354.2	71,169	– 38.7
Mortgage Loans Made	51,351	78,130	– 34.3	111,893	– 54.1

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, December 1979

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	233.7	1.7	17.6	232.4	2.0	16.8
Food and Beverages	240.1	1.9	8.7	234.6	1.8	6.8
Food	245.8	1.9	8.8	240.4	2.0	6.6
Food at home	238.2	1.9	7.7	233.6	1.8	5.2
Cereals & bakery products	241.9	4.3	13.5	236.6	1.8	10.3
Meats, poultry, fish & eggs	228.1	2.8	5.1	228.1	2.9	4.9
Meats, poultry & fish	233.6	2.1	6.0	232.7	2.1	5.5
Dairy products	223.7	2.0	4.4	222.4	1.7	3.9
Fruits and vegetables	237.4	0.8	17.4	223.1	1.7	6.6
Other foods at home	271.6	0.4	5.4	265.3	0.8	3.5
Food away from home	268.1	2.1	11.1	260.7	2.2	9.7
Alcoholic beverages	186.1	0.3	6.8	179.9	0.1	10.2
Housing	250.5	1.7	24.3	248.5	1.9	22.9
Rent residential	153.5	0.3	6.4	153.5	0.3	6.4
Homeownership	325.0	2.4	36.4	323.3	2.9	34.5
Fuel & other utilities	228.6	0.8	14.1	230.1	1.0	15.0
Gas (piped) & electricity	290.4	1.1	19.9	290.4	1.1	19.9
Household furnishings & oper.	187.1	0.5	5.3	183.3	0.1	3.4
Apparel & Upkeep	175.5	-4.0	2.6	173.3	-0.6	0.8
Men's & boys' apparel	193.5	-1.3	8.2	194.1	-0.3	4.6
Women's & girls' apparel	152.0	-9.6	-5.1	145.0	-3.3	-8.5
Footwear	195.9	-1.7	5.6	200.0	2.6	9.1
Transportation	225.3	3.0	20.0	226.9	3.1	20.7
Private transportation	227.4	2.9	20.3	229.1	3.1	21.0
Public transportation	181.6	6.4	13.7	178.8	5.5	11.9
Medical Care	245.1	2.0	11.6	247.1	2.2	13.1
Entertainment	176.2	0.2	5.8	183.4	0.1	12.8
Other Goods & Services	208.0	1.8	9.7	210.3	0.9	11.6
ALL ITEMS (1957 = 100)	277.4			275.8		

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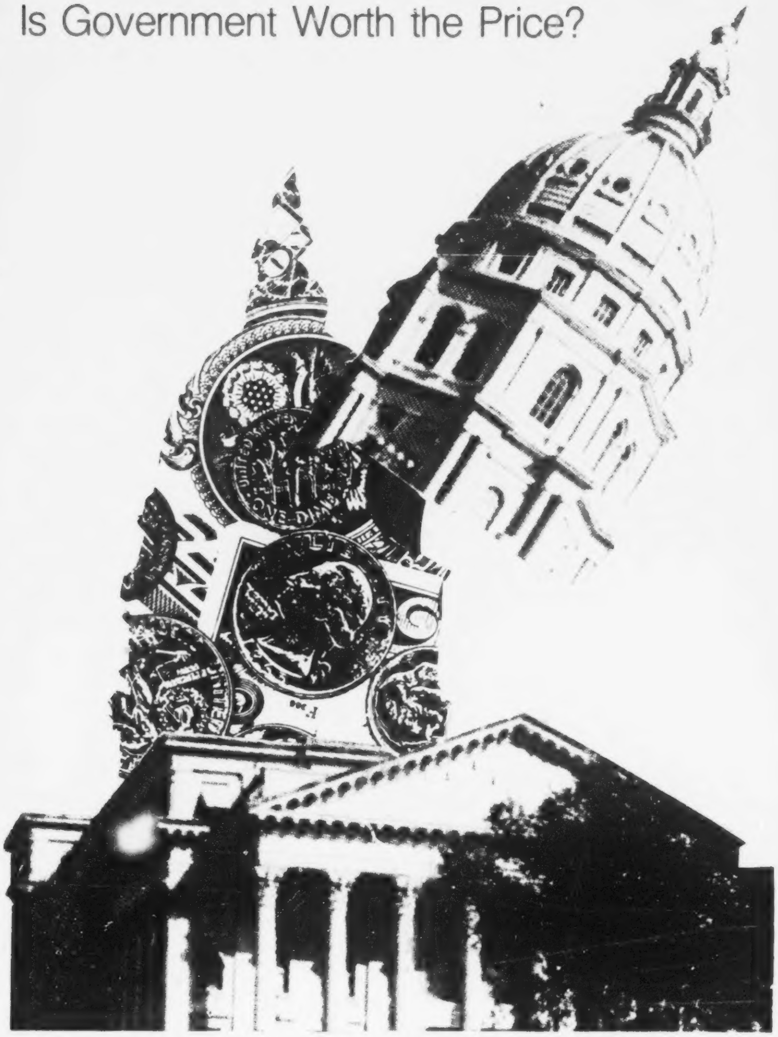
Is Government Worth the Price?



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The Cost, Level, and Quality Of Public Services in Kansas

Darwin W. Daicoff
H. Brinton Milward
Jeanne A. Andre
David W. Eisenlohr
John M. Nachbar
Timothy C. Pittman

The following article is a revision of an Institute for Economic and Business Research study commissioned by Mr. James W. Bibb, Director of the State Budget. The authors and the Institute gratefully acknowledge Mr. Bibb's support of the project and wish to express their support of Mr. Bibb's commitment and contribution to making State government increasingly responsive to the needs of Kansas citizens and to the fiscal resources of the State. Dr. Daicoff is Professor of Economics and Director of the Institute for Economic and Business Research at the University of Kansas. At the time of the study, Dr. Milward was Assistant Professor of Political Science at the University of Kansas; currently he is Associate Professor of Business Administration at the University of Kentucky. Ms. Andre, Mr. Eisenlohr, Mr. Nachbar, and Mr. Pittman are presently graduate students in the Department of Political Science at the University of Kansas.

Introduction

The last several years have witnessed the aggressive renewal of an old concern of this country's electorate: Is government worth the price? A reasonable answer to this question demands close scrutiny of the tax burden that government is currently placing on the taxpayer, and, in turn, this scrutiny requires a two-pronged analysis. In addition to taking in revenue, government also provides products and services for the people, and to fully answer the question "Is government worth the price?" necessitates an analysis of both the cost of government and the benefits it provides. This article does not presume to settle the question. However, this study does attempt to provide a quantitative analysis of the cost to and the benefits received by the people from Kansas governments in order that readers will have a sound basis from which to draw their own conclusions.

The article has four sections. The first provides a brief review of the theoretical arguments for the existence of the public sector and a discussion of the limitations on the public sector in a market economy. The second section of this report is a comparative analysis of the level of public services provided by Kansas governments. In this section, Kansas governmental expenditures are compared to those of the four surrounding states and to the combined state and local governmental expenditures for all the states within the union. The final two sections provide an analysis of Kansas governmental expenditures between 1967 and 1977. The third section identifies the growth in Kansas governmental expenditures due to changes in population, changes in price structure, and changes in the scope and quality of public services; then the influence of these factors in Kansas is compared with their influence in the region. The fourth section contains a more detailed analysis of the change in Kansas governmental expenditures. Expenditures are divided into twelve categories and then are broken down between state and local governments. The expenditure changes in these twelve expenditure categories (for both state and local governments) are then separated into changes due to changing population, changing price structure, and changing scope and quality of public services.

Theoretical Foundations of the Public Sector

Traditionally, the public sector has provided services that have not been provided adequately by the private sector. For instance, national defense is often cited as an example of a service or need that has benefits from which it is impossible to exclude those who do not wish to purchase it or do not voluntarily contribute to it, and, therefore, which could not be provided for by the private sector in the quantity preferred by society.

However, examples such as national defense do little to define the myriad functions the government actually performs. Noted political scientist Peter Steiner defines the activities of the public sector practically, if not to the satisfaction of all, by saying that any publicly induced or provided collective good that the public collectively wants and will pay for is a legitimate activity of the public sector. His one proviso is that the public sector's performance must result in a different bundle of goods and services than the market can or will provide.

Given this definition, public goods exists when:

1. There are nonmarketable goods and services where the exclusion principle does not operate. For some reason, perhaps unwillingness or inability, the private sector does not produce goods which satisfy a public demand such as defense or justice.
2. There are market imperfections. Inadequate information, insufficient competition, large trans-

Table 1

Direct General Expenditures State and Local Government Kansas, Regional States, and United States, 1977

	Total (millions of dollars)	Per Capita (dollars)	Per $1000 of Personal Income (dollars)
Kansas	**2,775.5**	**1,193.25**	**185.71**
Colorado	3,524.6	1,345.77	211.90
Missouri	4,523.6	942.21	158.75
Nebraska	1,799.1	1,152.50	190.38
Oklahoma	2,937.0	1,044.81	186.03
Five-State Region	15,559.8	1,102.12	186.55
United States	273,001.8	1,261.96	198.76

Source: Bureau of the Census, U.S. Department of Commerce, *Government Finances in 1976-77* (Washington: U.S. Government Printing Office, November 1978).

action costs, and immobile resources are problems which are amenable to public sector solutions. Some examples are utility and transportation regulation and utility supply.

In this study, all of the public expenditures analyzed fall into one or both of the preceding categories.

State and Local Expenditures in Kansas, the West North Central Region, and the Nation

Comparing Kansas governmental expenditures to those of the four states bordering Kansas—Colorado, Nebraska, Missouri, and Oklahoma—provides a relative measure of the cost of Kansas public services as well as a relative measure of the level of Kansas public services. Table 1 presents 1977 direct general expenditures data for state and local governments in Kansas, in each of the four bordering states, in the five-state region, and in the United States.[1] Kansas total expenditures rank fourth in the five-state region and are slightly more than one percent of the national total. Kansas per capita expenditures are below the per capita expenditures for the whole nation, and they are greater than the five-state region per capita expenditures. In Kansas and Nebraska, the level of per capita spending is somewhat similar; Colorado spends much more; and Missouri and Oklahoma spend much less. In terms of ranking, Kansas is second in per capita expenditures within the five-state region.

These data may be somewhat misleading because, even though expressing expenditures on a per capita basis does account for differences in population, such an expression does not account for differences among the states in terms of price levels or fiscal capacity. Thus, per capita expenditures provide a measure of dollar spending but fail to express these expenditures in real terms. It may be that, because of lower prices, a particular state can spend less than other states and still provide the same level of actual per capita public services. Moreover, differences in per capita expenditures (even adjusted for differences in price levels) may also reflect differences in fiscal capacities. For example, the citizens of a relatively poor state may be trying as hard (burdening themselves as much) to provide a satisfactory level of public services as the citizens of a richer state and still be obtaining a lower level of services.

However, by relating state and local expenditures to the income received by the residents of a state, consideration is given to differences both in price levels (to the extent that price levels are reflected in the earnings) and in fiscal capacity. Therefore, Table 1 also shows direct general expenditures of state and local governments in Kansas, the bordering states, and the United States for 1977 in terms of personal income. Kansas spends $186 per $1,000 of personal income; the comparable national figure is $199. By this measure, among the five states, only Colorado spends more than the national average and, along with Nebraska and Oklahoma, spends more than Kansas. Again, Missouri spends less than Kansas. To summarize, in terms of both per capita and per $1,000 of personal income, Kansas spends less on state and local public services than the nation; regionally, Kansas expenditures are somewhat larger than average on a per capita basis but somewhat less than average on an income basis—only Missouri, among the states of the region, spends significantly less than Kansas.

Table 2

Direct General Expenditures, Kansas, 1977

Expenditure Category	State	Local (millions of dollars)	Total
Education	319.1	782.9	1,102.0
Highways	197.1	142.8	339.9
Public Welfare	291.6	4.9	296.5
Health and Hospitals	126.9	130.9	257.9
Police Protection	10.2	86.5	96.8
Fire Protection	—	35.2	35.2
Sewage and Sanitation	—	83.0	83.0
Local Parks and Recreation	—	29.2	29.2
Financial Administration	26.6	17.9	44.5
General Control	19.7	46.4	66.1
Interest on General Debt	12.8	59.0	71.8
Other	139.0	213.7	352.7
Total	1,143.1	1,632.4	2,775.5

Source: Bureau of the Census, U.S. Department of Commerce, *Government Finances in 1976-77* (Washington: U.S. Government Printing Office, November 1978).

Thus far, total expenditures have been discussed without looking at the individual expenditure categories. Table 2 shows Kansas' state and local governmental direct general expenditures by expenditure category in 1977. Forty percent is accounted for by expenditures on education. Local governments spend 71 percent of the education expenditures; the State accounts for the other 29 percent. Highway expenditures are considerably less and rank second. The State accounts for 58 percent of highway expenditures, with local governments accounting for 42 percent. Third place is taken by public welfare expenditures, and fourth by health and hospitals. Almost all, 98 percent, of public welfare expenditures are made by the State. Health and hospital expenditures are more evenly shared, with the state portion being 49 percent. These four categories account for 72 percent of total state and local expenditures. The State accounts for 41 percent of total expenditures.

Per capita expenditures for these detailed expenditure categories for Kansas, the regional states, and the United States are presented in Table 3. Per capita educational expenditures are slightly larger for the nation than for Kansas. Kansas ranks third among the five states and is about $16 above the regional average. Kansas per capita expenditures on highways ranks second in the region and is greater than the regional or national per capita expenditures. Kansas per capita expenditures for health and hospitals are greater than in the nation and any regional state—the only one of the 12 expenditure categories for which this is the case. For public welfare, Kansas expenditures, though still substantially lower than the nation, are second in the region and are above the regional average. Among the categories representing smaller amounts of expenditures, the only categories in which Kansas spends less than the region or the nation are fire protection and local parks and recreation. For the other six smaller expenditure categories, Kansas spends far less than the nation but more than the region.

Kansas per capita expenditures for health and hospitals are greater than in the nation and any regional state—the only one of the 12 expenditure categories for which this is the case.

A Comparative Analysis of the Growth in Kansas Expenditures

One effective way of analyzing the growth of state and local expenditures is to identify the three major factors influencing expenditure growth. First, even if prices remain unchanged and the quality of services per capita remain constant, *increasing work loads*—as the number of school age children increase or the volume of motor vehicle traffic grows—would require larger expenditures. Second, *increasing prices*—higher salaries for employees, higher medical care costs, and the like—would contribute to expenditure growth. Third, *increases due to improvements in the scope and quality of services*—more teachers per student, a greater portion of the poor receiving welfare payments, or the increased provision of medical care—would cause greater expenditures.[2]

Between 1967 and 1977, Kansas expenditures increased from $1,002.1 million to $2,775.5 million, a 176.97 percent increase. This was slightly below the rate for the United States of 191.14 percent and slightly above the regional rate of 152.03 percent. Two states in the region had a greater percentage increase in public expenditures, Colorado and Nebraska.

During this same period, Kansas population increased by 2.24 percent which represents the increased workload factor. There are no data available to directly measure price increases, the second factor, as they are reflected in the costs of providing public

Table 3

Per Capita Direct General Expenditures
State and Local Governments: Kansas, Regional States, and the United States, 1977

Expenditure Category	Kansas	Colorado	Missouri	Nebraska (dollars)	Oklahoma	5-State Region	U.S.
Education	**473.76**	605.96	382.12	489.37	417.04	457.56	475.22
Highways	**146.14**	127.56	105.84	166.71	110.70	124.20	106.80
Public Welfare	**127.48**	123.64	93.58	90.74	128.25	111.33	159.77
Health and Hospitals	**110.86**	102.26	86.95	98.25	86.67	94.92	104.20
Police Protection	**41.60**	48.61	40.19	32.07	31.39	39.34	47.98
Fire Protection	**15.11**	24.77	14.84	12.53	15.05	16.52	19.85
Sewage and Sanitation	**35.71**	38.71	31.92	30.94	33.12	33.92	41.02
Local Parks and Recreation	**12.55**	30.62	16.75	14.25	14.68	17.94	17.89
Financial Administration	**19.13**	27.75	12.14	20.66	13.78	17.46	20.49
General Control	**28.41**	39.31	19.77	26.98	20.73	25.81	28.96
Interest on General Debt	**30.87**	29.89	25.83	25.64	34.60	29.14	52.67
Other	**151.63**	146.68	112.30	144.36	138.81	133.98	187.11
Total	**1,193.25**	1,345.77	942.21	1,152.50	1,044.81	1,102.12	1,261.96

Source: Bureau of the Census, U. S. Department of Commerce, *Government Finances in 1976-77* (Washington: U. S. Government Printing Office, November 1978).

service in Kansas. However, the price index of state and local government purchases rose by 104.8 percent between 1967 and 1977.

To find the combined influence of population changes and inflation on Kansas expenditures, $1,002.1 million is first multiplied by 1.0224 (this is the same as multiplying by .0224 and then adding the result to the original total) thereby giving $1,024.5 million. This figure would be the total Kansas expenditure in 1977 if only population had changed. To include inflation, $1,024.5 million is multiplied by 2.048 (one plus the price level change) giving $2,098.3 million. Thus, $2,098.3 million of the 1977 Kansas expenditure level ($2,775.5 million) is the result of population changes and price changes. Since all other change in expenditures is assumed to be due to improvements in scope and quality, dividing $2,775.5 million by $2,098.3 million and subtracting one gives the percentage change in Kansas expenditures due to improvements in scope and quality. Using this method, the scope and quality of public services increased 32.28 percent from 1967 to 1977.

Thus, this third component does not account for the increases in cost of providing public services due to inflation or for the increases in the number of people who could receive the service but, rather, accounts for the service being provided to a greater portion of the population and/or the improved services being provided to each recipient. Although it must be admitted that percent of expenditures is not a perfect measure of quality, it is the best single measure available to quantify changes in the improvement of the scope and level of public services.

If, instead of looking at the percentage of absolute change due to each of these three factors, the percentage change of the total expenditure due to each factor is examined, then one gets a slightly different perspective on Kansas expenditures. The most important factor is the price change which represents 75.22 percent of the total change. Population changes represent merely 1.61 percent of the total change while improvements in scope and quality account for 23.17 percent of the total change. Thus, improvements in scope and quality represent a significant portion of the total change in expenditures, but price changes are definitely the most dominant influence.

Table 4 provides the 1967 and 1977 total expenditures and the breakdown of the change in these expenditures by population, inflation, and scope and quality for Kansas, the four bordering states, the five-state region, and the United States. Table 5 ranks Kansas

Kansas ranks first in the five-state region in the improvement of scope and quality of public services.

Table 4

The Relative Effect of Population, Price, and Scope and Quality Changes on Expenditures for the Five-State Region and the United States

Kansas

Expenditures, 1967	1,002.1 (millions of dollars)
X Population increase factor	(1.0224)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.3228)
= Expenditures, 1977	2,775.5 (millions of dollars)

Colorado

Expenditures, 1967	1,065.5 (millions of dollars)
X Population increase factor	(1.3261)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.2180)
= Expenditures, 1977	3,524.6 (millions of dollars)

Missouri

Expenditures, 1967	1,859.7 (millions of dollars)
X Population increase factor	(1.0426)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.1392)
= Expenditures, 1977	4,523.6 (millions of dollars)

Nebraska

Expenditures, 1967	629.9 (millions of dollars)
X Population increase factor	(1.0878)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.2820)
= Expenditures, 1977	1,799.1 (millions of dollars)

Oklahoma

Expenditures, 1967	1,616.6 (millions of dollars)
X Population increase factor	(1.1262)
X Price change factor	(2.048)
X Quality and scope improvement factor	(0.7877)
= Expenditures, 1977	2,937.0 (millions of dollars)

Five-State Region

Expenditures, 1967	6,173.8 (millions of dollars)
X Population increase factor	(1.1042)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.1145)
= Expenditures, 1977	15,559.8 (millions of dollars)

United States

Expenditures, 1967	93,770.4
X Population increase factor	(1.0965)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.2965)
= Expenditures, 1977	273,001.8 (millions of dollars)

Table 5

Scope and Quality Changes Kansas, Regional States, and United States 1967-1977

State	Percent
Kansas	**32.28**
Colorado	21.80
Missouri	13.92
Nebraska	28.20
Oklahoma	-21.23
Five-State Region	11.45
United States	29.65

and the four bordering states by the percentage improvement of scope and quality of public services. The percentage improvement of scope and quality is also provided for the five-state region and the United States in this table. Kansas ranks first in the five-state region in the improvement of scope and quality although it showed the smallest population increase. The improvement rate for Kansas was 2.8 times greater than for the rest of the region and almost 3.0 percent more than the United States.

The Effect of Population, Price, and Improvement on Categories of Kansas Expenditures

This section is a refinement of the three-part method of analyzing changes in public expenditures used in the previous section. In section three, one population figure for each state and one price index were used to measure the changes in expenditures due to workload changes and inflation. This method allows a clear, overall picture to be drawn while comparing states, but, for comparisons within a state, greater detail and refinement are necessary. For this section, the twelve categories of public expenditures in Kansas have been analyzed separately and in as great a detail as the data will allow. Changing workloads were measured for each of the twelve categories and more detailed price indexes were used; for some categories, more than one price index was used. The twelve categories of expenditure were further divided between state and local expenditures. The results of this analysis are presented in Table 6.

The importance of the three factors affecting changes in public expenditures varies considerably between the expenditure categories. For example, changes in workload are of little importance in explaining increased expenditures by the State for health and hospital services and public welfare. But workload changes are a significant factor in explaining the expenditure increases by the State in education, highways, and police protection. Rather than discuss each of the twelve expenditure categories separately, only the four largest expenditure categories—education, highways, public welfare, and health and hospitals—will be discussed.

The most remarkable aspect of the change in the state's expenditures for education is the different effect of workload changes and improvement changes at the state and at the local level. At the state level, over half the change in expenditures is due to workload increases; at the local level, workload changes are slightly less than 12 percent, but changes in scope and quality account for over 55 percent of the expenditure change. Price changes have a similar effect at both the state and local levels. When the state and local figures are combined, the preponderance of local expenditure is evident. The combined state and local effect of workload changes is 23.24 percent, whereas the effect of changes in scope and quality is 47.86 percent.

State changes in expenditures and local changes in expenditures for highways have a similar pattern when analyzed by the three-factor method. Price changes have the most important effect on expenditure changes for both levels, with workload changes second and scope and quality changes third in importance. When the state and local government expenditures are combined, price changes account for 51.87 percent of the change from 1967 to 1977, workload changes account for 30.99 percent, and scope and quality changes account for 17.54 percent.

Analyzing the changes in expenditures for public welfare by level of government represents a special problem. Between 1967 and 1977, administrative control of public welfare passed from primarily the local level to primarily the state level. In 1967, over 90 percent of public welfare came from the local level while, by 1977, over 98 percent was administered at the state level. This type of radical administrative alteration makes an analysis at just the state level or just the local level meaningless. Thus, in Table 6, state and local expenditures are combined under state expenditures for public welfare. Nearly all of the change in expenditures is the result of improvements in the scope and quality of public welfare.

Health and hospital service is another category where the increase in expenditures—both state and local—is dominated by improved scope and quality of service. In both the state and local cases, price changes represent a distant second in importance with changes due to workload minuscule. Using combined state and local expenditures, improvements in the scope and quality of service account for 73.11 percent of the total change, price changes account for 26.03 percent, and workload changes represent only 0.86 percent of the total change in expenditures.

One advantage of Table 6 is that hypothetical changes in governmental policy can be examined. For example, if governmental policy through the ten-year period had been simply to freeze the level of scope and quality of governmental service, a three-step methodology provides an estimated answer to this question of what would have been the changes in governmental expenditures.

1. Subtract 1967 expenditures from 1977 expenditures.
2. Add together the percentage change due to workload and price level changes and divide by 100. (For example, 20 percent + 50 percent = 70 percent. Then 70 percent divided by 100 yields 0.70.)
3. Multiply the result of step 1 by step 2 and add this result to the 1967 expenditure level.

The result is an estimate of 1977 Kansas expenditures if, from 1967 to 1977, the scope and quality of public service were held constant.

Taking this change in expenditures and breaking it down into an annual percentage change yields some interesting results. In order to maintain the same level of scope and quality of governmental services, state expenditures would have had to increase at an annual rate of 4.78 percent, while under the same condition local govern-

Table 6
The Relative Importance of Workload, Price Level, and Scope and Quality Changes on the Increase in Kansas Government Expenditures, 1967-1977

	Expenditures			Percentage distribution of increase by generating factor		
Expenditure Categories	1967 (million of dollars)	1977 (million of dollars)	1967-77 (percent)	Work-loads	Prices	Scope and Quality
State Government						
Education	122.0	319.1	161.6	50.22	23.98	25.80
Highways	180.3	197.1	82.0	32.22	53.94	13.84
Public Welfare	73.5	296.5	303.4	0.70	10.70	88.60
Health and Hospitals	41.0	126.9	209.5	1.03	20.01	78.96
Police Protection	4.5	10.2	126.7	34.90	55.14	9.96
Financial Administration	7.3	26.6	264.4	1.20	29.40	69.40
General Control	4.8	19.7	310.4	1.04	27.73	71.23
Interest on General Debt	8.6	12.8	48.8			
Other	44.1	139.0	215.2	1.42	66.51	32.07
Local Government						
Education	325.0	782.9	140.9	11.62	31.01	57.36
Highways	74.0	142.8	93.0	29.40	48.28	22.32
Health and Hospitals	28.2	130.9	364.2	0.71	31.07	68.22
Police Protection	17.1	86.5	405.9	15.14	23.88	60.98
Fire Protection	11.8	35.2	198.3	26.28	40.80	32.92
Sewage and Sanitation	15.8	83.0	425.3	22.05	17.19	60.76
Local Parks and Recreation	10.0	29.2	199.0	2.10	84.35	13.55
Financial Administration	9.0	17.9	115.6	2.70	67.23	30.07
General Control	12.8	46.4	262.5	1.22	32.02	66.76
Interest on General Debt	16.2	59.0	264.2			
Other	67.2	213.7	218.0	1.41	65.95	32.64

mental expenditures would have had to increase at an annual rate of 6.32 percent. At the state level, the three categories that would require the greatest increase in expenditures to maintain the same scope and quality of services were other governmental services (9.43 percent), education (8.20 percent), and police protection (7.87 percent). The smallest necessary change by far is for the category of highway services (0.78 percent). At the local level, the two categories that would have required the largest changes in expenditure are sewage and sanitation (10.32 percent) and local parks and recreation (10.28 percent); the category requiring the smallest change in expenditure is education (4.82 percent). If state and local governmental expenditures are combined, then the maintenance of the same scope and quality of governmental services would require a 5.05 percent annual increase in the combined expenditures of state and local governments in Kansas.

The rate of improvement of the scope and quality of Kansas public services was the highest in the region during this ten-year period and higher than the national rate of improvement.

Summary

Expenditures by state and local governments in Kansas rank third in the five-state region. In per capita terms, Kansas ranks second in the region, almost $100 above the region's per capita expenditures; in terms of a percentage of personal income, Kansas ranks fourth in the region, just slightly below the figure for the region. The growth in Kansas expenditures from 1967 to 1977 ranked third in the region, was above the region's growth rate, and was below the national growth rate. The rate of improvement of the scope and quality of Kansas public services was the highest in the region during this ten-year period and higher than the national rate of improvement. When the different categories of expenditure within Kansas are compared, there is a wide variance between the relative importance of increased workload, price changes, and increased scope and quality of service in explaining the expenditure changes of individual categories. Overall, even though inflation was the dominant factor in the increase in Kansas governmental expenditures, the improved scope and quality of Kansas public services from 1967 to 1977 was a significant factor.

Footnotes

[1] Direct general expenditures include payments to employees, suppliers, contractors, beneficiaries, and other final recipients of governmental payments; i.e., all expenditures other than intergovernmental expenditures. These expenditures also include money from the federal government but spent by state and local governments; the data only counts the expenditures by the "final" level of government. All expenditures of governments are included other than utility expenditures, liquor store expenditures, and insurance-trust expenditures.

[2] Emil M. Sunley, Jr., "State and Local Governments," *Setting National Priorities: The Next Ten Years*, eds. Henry Own and Charles L. Schultze (Washington: The Brookings Institution, 1974).

Kansas in January

General Business

The economic data from the early months of 1980 do not support any conclusive answers to the omnipresent question: whither the national economy? The increasing rate of inflation, a rising unemployment rate, and the continued advance of the prime lending rate suggest that the oft-delayed recession may actually become a reality by third quarter 1980. However, these influences and the consequence they suggest may be mitigated by certain developments in the economy during the months ahead. There is some cause for reasonably expecting that the inflation rate will somewhat abate later this year. Also, the evidence is yet to come in as to what can be expected from the President's latest economic plan announced in March. His call for a balanced budget may help to create an economic environment of greater trust and security that, in turn, may help to calm certain uncontrolled areas in the economy. Further, the prospect of the national election in November may inspire some dramatic mid-year policy change, the nature and effects of which on the economy cannot now be calculated. In summary, it can be said that early 1980 has witnessed more definite signs than did the preceding year of the deterioration in the economy that presages a recession but that this degenerative process may well be balked this year as it was last year. This last possibility would mean a repetition in 1980—though maybe more severe in degree—of the erratic fits and stops in economic activity that characterized 1979.

The Kansas economy in January experienced some of the same problems as did the national economy. Most notable is the dramatic increase in initial claims for unemployment insurance for the second month in a row. As reported last month in *Kansas Business Review*, traditionally, the increase in claims for January represents an adjustment to the seasonally inflated employment during December and the reaction, in the winter, to layoffs in the State's agriculture sector; however, the data for December 1979 also showed a large increase in claims for unemployment. Therefore, this change from the usual pattern of State employment from December to January merits attention as a possible sign that the very strong employment condition in Kansas for the last three years may be weakening in 1980. Other signs suggestive of the erosion in the healthy insularity that Kansas has enjoyed in the recent past from disturbances in the national economy are an

TABLE I
GENERAL BUSINESS INDICATORS

	Jan. 1980	Dec. 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	40.50	41.70	– 2.9	41.20	40.70
Average Weekly Earnings (dollars)	289.17	298.57	– 3.1	284.15	240.99
Initial Claims for					
Unemployment Insurance	21,295.00	12,501.00	70.3	8,661.00	8,082.00
New Incorporations					
In-State For Profit	444.00	505.00	– 12.1	392.00	336.00
Out-of-State	74.00	117.00	– 36.8	96.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
All Industries	947.7	968.1	– 2.1	914.2	3.7
Manufacturing	199.7	203.5	– 1.9	194.4	2.7
Durable Goods	133.2	135.6	– 1.8	127.8	4.2
Stone, Clay, Glass	8.9	10.4	– 14.4	8.4	6.0
Primary Metals	4.2	3.9	7.7	4.2	0.0
Fabricated Metal Products	13.4	13.7	– 2.2	14.0	– 4.3
Machinery (incl. elec.)	38.4	34.5	11.3	35.8	7.3
Transportation Equipment	56.1	60.0	– 6.5	52.9	6.0
Aircraft & Parts	45.7	49.6	– 7.9	41.1	11.2
Other Durable Goods	12.2	13.2	– 7.6	12.5	– 2.4
Nondurable Goods	66.5	67.9	– 2.1	66.6	– 0.2
Food & Kindred Products	22.7	23.9	– 5.0	22.6	0.4
Meat Products	9.3	9.3	0.0	8.5	9.4
Apparel	3.5	3.4	2.9	3.6	– 2.8
Printing & Publishing	17.1	16.8	1.8	16.3	4.9
Chemicals	8.8	8.7	1.1	8.5	3.5
Petroleum & Coal	4.4	4.8	– 8.3	4.4	0.0
Other Nondurable	10.0	10.3	– 2.9	11.2	– 10.7
Mining	14.2	13.6	4.4	13.0	9.2
Oil & Gas Extraction	12.6	11.2	12.5	11.2	12.5
Contract Construction	45.9	52.1	– 11.9	39.2	17.1
Trans., Comm., Elec., Gas	65.1	67.1	– 3.0	63.4	2.7
Wholesale Trade	64.4	62.4	3.2	61.6	4.5
Retail Trade	162.7	170.9	– 4.8	158.0	3.0
Finance, Insurance, Real Estate	46.1	47.5	– 2.9	44.6	3.4
Services	167.0	166.4	0.4	158.0	5.7
Federal Government	26.2	25.7	1.9	26.0	0.8
State & Local Government	156.4	158.9	– 1.6	156.0	0.3

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

increasing rate of unemployment and a level of retail sales not sufficient to offset the effects of inflation. (See Table I.)

Employment

The January data for nonfarm wage and salary employment—as reported by the Research and Analysis Section of the Kansas Department of Human Resources—show a 2.1 percent decline in the number of persons employed in all industries since December. Of the ten major categories of employment, six registered declines. In response to seasonal inactivity, contract construction had the largest decline in unemployment (– 11.9 percent); State and local government the smallest (– 1.6 percent). Employment in the subcategory of aircraft and parts is of particular interest. The number of employed dropped 7.9 percent from December to January (49,600 to 45,700), and it is unlikely that the December level will be matched in the months ahead. Rising interest rates and the declining purchasing power of consumers have resulted in a marked slowdown in the production of small aircraft; therefore, it is possible that the boom in the aircraft industry is over and that its employment will continue to drop from the December high. Among the four categories that experienced gains in employment, mining had the largest increase (4.4 percent), services the smallest (0.4 percent). Although this record of general declines in employment by industrial place of work in January appears to substantiate the thoughts expressed above concerning a change to the worse in the State's employment picture, it is important to note that this data is more reflective of the traditional January downswing in the number of persons employed. The industries covered by the data are generally those that are most responsive to the increase in business during December, and, moreover, they are concentrated in a relatively few distinct

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,213,400	1,215,700	– 0.2	1,155,000	5.1
Employed	1,169,400	1,176,900	– 0.6	1,112,900	5.1
Farm	47,900	51,500	– 7.0	49,000	– 2.2
Non-Farm	1,121,500	1,125,400	– 0.3	1,063,900	5.4
Unemployed	44,000	38,800	13.4	42,100	4.5
Rate	3.6%	3.2%		3.6%	
Lawrence SMSA					
Civilian Labor Force	34,300	34,600	– 0.9	32,700	4.9
Employed	32,900	33,500	– 1.8	31,500	4.4
Farm	600	600	0.0	600	0.0
Non-Farm	32,300	32,900	– 1.8	30,900	4.5
Unemployed	1,400	1,100	27.3	1,200	16.7
Rate	4.1%	3.2%		3.7%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	270,800	273,000	– 0.8	257,900	5.0
Employed	260,600	264,000	– 1.3	248,000	5.1
Farm	1,000	1,100	– 9.1	1,100	– 9.1
Non-Farm	259,600	262,900	– 1.3	246,900	5.1
Unemployed	10,200	9,000	13.3	9,900	3.0
Rate	3.8%	3.3%		3.8%	
Topeka SMSA					
Civilian Labor Force	94,100	93,400	0.7	92,300	2.0
Employed	89,700	90,000	– 0.3	88,100	1.8
Farm	1,400	1,500	– 6.7	1,500	– 6.7
Non-Farm	88,300	88,500	– 0.2	86,600	2.0
Unemployed	4,400	3,400	29.4	4,200	4.8
Rate	4.7%	3.6%		4.6%	
Wichita SMSA					
Civilian Labor Force	225,600	226,500	– 0.4	213,000	5.9
Employed	219,100	220,800	– 0.8	205,700	6.5
Farm	1,900	2,100	– 9.5	2,000	– 5.0
Non-Farm	217,200	218,700	– 0.7	203,700	6.6
Unemployed	6,500	5,700	14.0	7,300	– 11.0
Rate	2.9%	2.5%		3.4%	

areas in the State. Thus, the data's limited coverage represents only a part of the overall State situation.

Comparing January 1980 data to that of January 1979 further confirms the point just made: that the data for nonfarm wage or salary employment by place of work will be the last to reflect any significant erosion in Kansas' employment situation. Over the year, employment for all industries increased 3.7 percent, and all ten categories recorded gains. Contract construction, mining, services, and wholesale trade exceeded the average growth for all industries. Finance, insurance, and real estate; retail trade; transportation and public utilities; and manufacturing were close to the average increase. Federal government and State and local government had increases in employment of 0.8 percent and 0.3 percent, respectively. (See Table II.)

Regional Employment

The regional employment data—wherein one would hope to find more conclusive evidence as to the developing employment picture in Kansas—are not clearly indicative of any one pattern. From December to January, all eleven of the major regional areas registered increases in the number of unemployed persons within a double-digit range of 13.3 percent in the Kansas portion of the Kansas city SMSA to 63.6 percent in the Great Bend region as well as recording at least a four-tenths percentage point rise in their unemployment rates. Also, four of the major areas experienced declines in the number of employed, and nine regions had declines in the size of their labor force. Except for the few exceptions, the regional data mirror or, more frequently, exaggerate the statewide pattern over the month: civilian labor force down 0.2 percent, number of employed down 0.6 percent, number of unemployed up 13.4 percent, and the unemployment rate rising from 3.2 percent in December to 3.6 percent January.

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,525	17,575	– 0.3	16,725	4.8
Employed	17,075	17,300	– 1.3	16,225	5.2
Farm	700	775	– 9.7	725	– 3.4
Non-Farm	16,375	16,525	– 0.9	15,500	5.6
Unemployed	450	275	63.6	500	– 10.0
Rate	2.6%	1.6%		3.0%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,025	16,525	– 3.0	16,025	0.0
Employed	15,275	15,975	– 4.4	15,175	0.7
Farm	625	700	– 10.7	650	– 3.8
Non-Farm	14,650	15,275	– 4.1	14,525	0.9
Unemployed	750	550	36.4	850	– 11.8
Rate	4.7%	3.3%		5.3%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,425	17,825	– 2.2	17,025	2.3
Employed	16,875	17,375	– 2.9	16,550	2.0
Farm	625	675	– 7.4	650	– 3.8
Non-Farm	16,250	16,700	– 2.7	15,900	2.2
Unemployed	550	450	22.2	475	15.8
Rate	3.2%	2.5%		2.8%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,875	20,975	– 0.5	21,050	– 0.8
Employed	20,200	20,425	– 1.1	20,525	– 1.6
Farm	450	500	– 10.0	450	0.0
Non-Farm	19,750	19,925	– 0.9	20,075	– 1.6
Unemployed	675	550	22.7	525	28.6
Rate	3.2%	2.6%		2.5%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	31,625	32,250	– 1.9	30,850	2.5
Employed	30,700	31,475	– 2.5	29,750	3.2
Farm	1,000	1,075	– 7.0	1,025	– 2.4
Non-Farm	29,700	30,400	– 2.3	28,725	3.4
Unemployed	925	775	19.4	1,100	– 15.9
Rate	2.9%	2.4%		3.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	20,900	21,675	– 3.6	20,200	3.5
Employed	20,250	21,125	– 4.1	19,475	4.0
Farm	800	850	– 5.9	825	– 3.0
Non-Farm	19,450	20,275	– 4.1	18,650	4.3
Unemployed	650	550	18.2	725	– 10.3
Rate	3.1%	2.5%		3.6%	
Saline Co.—Salina Area					
Civilian Labor Force	25,900	25,575	1.3	25,575	1.3
Employed	24,900	24,825	0.3	24,600	1.2
Farm	525	575	– 8.7	550	– 4.5
Non-Farm	24,375	24,250	0.5	24,050	1.4
Unemployed	1,000	750	33.3	975	2.6
Rate	3.9%	2.9%		3.8%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Jan. * 1980	Oct.* 1979	% change	Jan.* 1979	% change
Apparel	32.0	25.0	28.2	27.4	16.8
Automotive	199.1	206.4	– 3.5	175.1	13.7
Food	245.3	233.1	5.2	213.0	15.2
Furniture	45.2	40.2	12.5	39.7	13.9
General Merchandise	151.9	141.7	7.2	135.2	12.4
Lumber and Building Materials	98.1	93.8	4.5	85.7	14.5
Professional and Personal Service	43.2	37.6	14.7	35.1	23.1
Public Utilities	43.5	56.9	– 23.5	93.3	– 53.4
Unclassified	100.5	95.1	5.7	80.9	24.3
Farm and Garden Products	1.1	0.9	22.0	0.8	37.5
Manufacturing and Trading	81.8	71.9	13.8	64.7	26.4
Miscellaneous	2.4	2.4	1.9	2.0	20.0
Total	1044.1	1005.0	3.9	953.0	9.6

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

The comparison between the January 1980 and January 1979 data does not unequivocably show whether the depressed employment activity in January reflects only the usual winter depression or a gradual weakening of the State labor market. On the one hand, the number of employed increased statewide and in nine of the eleven major areas over the year. But, on the other hand, the number of unemployed persons increased statewide and in six of the regions, and the unemployment rate rose in five areas and remained unchanged in one and for the State at large.

It is impossible to draw a definite conclusion from all the Kansas employment data discussed above. The best that can be said is that certain aspects of the data by place of work and by region and State, that the implications of the data for initial claims for unemployment insurance, that the unusual two-month decline in employment, and that the extremes of some of the monthly data all suggest a situation not clearly in keeping with the State's recent record of employment. However, the question remains as to whether or not this change is only a passing aberration or an augur of a new, less healthy condition. (See Table III.)

Retail Sales

Because of the problems with the September retail sales data discussed in last month's *Kansas Business Review*, a meaningful comparison between the quarter ending in October 1979 and that ending January 1980 is impossible. However, an undistorted comparison of January 1980 in January 1979 quarters is possible, and it reveals that retail sales subject to sales tax for the eleven major business classifications rose over the year at double-digit rates of increase with some in excess of the rate of inflation (public utilities sales are excluded because, since July 1979, residential housing has been exempt from paying sales tax on utility purchases). Farm and dairy products, manufacture and trading, unclassified, and professional and personal services experienced increased sales exceeding 20 percent. The seven other categories had increases in sales of over 12 percent, but these rates of increase were not equal to the inflation rate. Therefore, in real terms, retail sales declined during this period for the majority of business classifications; total retail sales also declined in real terms from January 1979 to January 1980. (See Table IV.)

County Retail Sales

The condition of county retail sales continued to improve during the winter of 1979-80. From October to January, 81 of the state's 105 counties registered increases in retail sales, most of which were above the three-month rate of inflation. Roughly two thirds of those counties reporting declines were in the western half of the State and were concentrated along the northwestern border and the western middle. From January 1979 to January 1980, all but two counties (Osborne and Scott) had increased retail sales. Forty-five counties had rates of increase equal to or in excess of the yearly rate of inflation, only 20 counties had single-digit rates of growth. The majority of those counties that failed to keep up with the inflation rate over the year were located in the eastern half of the State, mainly within two geographic areas: the mid-east of the north-eastern corner. (See Table V.)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Jan. 1980	Sales * Oct. 1979	Change From Oct. 1979 (%)	Sales * Jan. 1979	Change From Jan. 1979 (%)
Allen	5,341	4,880	9.4	4,799	11.3
Anderson	2,581	2,466	4.7	2,210	16.8
Atchison	5,064	4,753	6.5	4,734	7.0
Barber	2,646	2,491	6.2	2,083	27.0
Barton	24,653	22,750	8.4	20,147	22.4
Bourbon	5,749	5,428	5.9	5,098	12.8
Brown	3,710	3,414	8.7	3,238	14.6
Butler	16,160	15,080	7.2	12,651	27.7
Chase	824	646	27.5	782	5.5
Chautauqua	1,210	1,073	12.8	1,046	15.7
Cherokee	4,530	4,044	12.0	3,889	16.5
Cheyenne	1,402	1,462	– 4.1	1,171	19.7
Clark	686	548	25.2	528	29.7
Clay	3,207	3,123	2.7	3,010	6.5
Cloud	4,695	4,336	8.3	4,130	13.7
Coffey	2,344	2,204	6.3	2,013	16.5
Comanche	614	609	0.7	553	11.0
Cowley	13,718	12,420	10.5	11,591	18.4
Crawford	12,768	12,280	4.0	11,638	9.7
Decatur	1,639	1,606	2.1	1,319	24.3
Dickinson	5,898	6,067	– 2.8	5,443	8.4
Doniphan	2,118	2,083	1.7	2,043	3.7
Douglas	23,899	21,404	11.7	21,103	13.2
Edwards	1,147	979	17.1	933	22.9
Elk	685	645	6.3	635	7.9
Ellis	13,428	13,049	2.9	12,202	10.1
Ellsworth	1,931	2,052	– 5.9	1,571	22.9
Finney	15,703	15,491	1.4	13,629	15.2
Ford	15,147	14,797	2.4	12,162	24.5
Franklin	7,093	6,766	4.8	6,225	13.9
Geary	8,384	8,434	– 0.6	7,420	13.0
Gove	1,310	1,291	1.4	1,250	4.8
Graham	1,714	1,614	6.2	1,236	38.7
Grant	3,647	3,626	0.6	2,995	21.8
Gray	1,792	1,929	– 7.1	1,564	14.6
Greeley	530	601	– 11.8	488	8.7
Greenwood	2,945	2,846	3.5	2,645	11.3
Hamilton	792	743	6.7	764	3.7
Harper	2,874	2,957	– 2.8	2,411	19.2
Harvey	9,744	9,137	6.6	8,307	17.3
Haskell	1,112	1,061	4.8	1,083	2.7
Hodgeman	389	403	– 3.5	324	20.1
Jackson	2,393	2,142	11.7	2,191	9.2
Jefferson	3,759	3,255	– 15.2	2,464	12.0
Jewell	935	873	7.1	902	3.6
Johnson	126,891	116,826	8.6	111,413	13.9
Kearny	762	689	10.7	712	7.0
Kingman	2,768	2,429	14.0	2,096	32.1
Kiowa	1,461	1,375	6.3	1,101	32.8
Labette	8,564	7,636	12.2	7,575	13.1
Lane	889	820	8.4	701	26.8
Leavenworth	12,098	11,649	3.9	11,045	9.5
Lincoln	1,195	1,155	3.4	1,038	15.0

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Jan. 1980	Sales * Oct. 1979	Change From Oct. 1979 (%)	Sales * Jan. 1979	Change From Jan. 1979 (%)
Linn	1,881	1,806	4.1	1,668	12.8
Logan	2,058	1,846	11.5	1,583	29.9
Lyon	14,523	12,750	13.9	12,004	21.0
McPherson	10,114	9,814	3.1	8,849	14.3
Marion	3,978	3,639	9.3	3,377	17.8
Marshall	4,251	3,710	14.6	3,663	16.1
Meade	1,513	1,435	5.4	1,127	34.2
Miami	6,332	5,731	10.5	5,281	19.9
Mitchell	3,878	3,329	16.5	3,169	22.4
Montgomery	16,072	14,792	8.7	14,433	11.4
Morris	1,503	1,441	4.3	1,422	5.7
Morton	1,242	1,140	8.9	1,093	13.6
Nemaha	3,553	3,104	14.5	3,103	14.5
Neosho	8,340	7,220	15.5	6,610	26.2
Ness	1,952	1,735	12.6	1,411	38.4
Norton	2,300	2,331	– 1.4	2,060	11.7
Osage	3,401	3,112	9.3	2,730	24.5
Osborne	1,696	1,805	– 6.0	1,802	– 5.8
Ottawa	1,251	1,178	6.2	1,037	20.6
Pawnee	3,116	3,319	– 6.1	2,518	23.7
Phillips	2,735	2,466	10.9	2,278	20.1
Pottawatomie	4,808	4,345	10.6	3,717	29.3
Pratt	5,451	5,132	6.2	4,333	25.8
Rawlins	1,066	945	12.8	893	19.3
Reno	30,324	28,825	5.2	26,148	16.0
Republic	2,605	2,254	15.6	2,303	13.1
Rice	3,173	3,123	1.6	2,783	14.0
Riley	15,878	15,037	5.6	15,301	3.8
Rooks	3,692	3,427	7.7	2,848	29.7
Rush	1,342	1,367	– 1.8	1,099	22.2
Russell	4,958	4,948	0.2	4,030	23.0
Saline	28,258	27,723	1.9	24,142	17.0
Scott	2,635	2,649	– 0.5	2,637	– 0.1
Sedgwick	201,830	189,136	6.7	172,894	16.7
Seward	13,029	10,323	26.2	10,578	23.2
Shawnee	72,596	74,498	– 2.6	69,500	4.5
Sheridan	1,293	1,130	14.4	1,053	22.7
Sherman	4,218	4,344	– 2.9	3,698	14.1
Smith	1,783	1,926	– 7.4	1,633	9.2
Stafford	1,567	1,569	– 0.1	1,205	30.0
Stanton	819	679	20.7	543	50.7
Stevens	1,557	1,603	– 2.8	1,289	20.8
Sumner	5,968	6,227	– 4.2	5,673	5.2
Thomas	4,739	4,761	– 0.5	4,207	12.7
Trego	1,375	1,336	2.9	1,272	8.1
Wabaunsee	1,125	1,123	0.2	979	15.0
Wallace	648	663	– 2.3	578	12.1
Washington	2,149	2,056	4.5	1,873	14.7
Wichita	956	984	– 2.8	829	15.3
Wilson	2,894	2,733	5.9	2,793	3.6
Woodson	1,174	1,221	– 3.8	905	29.8
Wyandotte	61,426	59,299	3.6	56,200	9.3

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.71	3.79	− 2.1	2.95	25.8	3.49
Corn (bu.)	2.50	2.50	0.0	2.25	11.1	2.48
Sorghum (cwt.)	3.85	3.78	1.9	3.34	15.3	3.75
Hay (ton)	51.50	48.00	7.3	52.50	− 1.9	50.17
Soybeans (bu.)	5.92	5.94	− 0.3	6.48	− 8.6	6.72
Livestock & Products						
Beef Cattle (cwt.)	65.70	67.40	− 2.5	63.30	3.8	67.82
Calves (cwt.)	83.90	86.50	− 3.0	78.80	6.5	87.14
Hogs (cwt.)	34.90	37.70	− 7.4	51.60	− 32.4	41.83
Lambs (cwt.)	67.80	64.50	5.1	67.50	0.4	66.18
Sheep (cwt.)	27.30	21.30	28.2	17.50	56.0	21.15
Milk (cwt.)	12.80	12.80	0.0	12.00	6.7	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.00	12.50	− 4.0	11.50	4.3	12.33
Bran (cwt.)	7.90	7.90	0.0	7.10	11.3	7.55
Beef Conc. (cwt.)	10.00	10.00	0.0	9.30	7.5	9.61
16% Dairy Feed (ton)	160.00	163.00	− 1.8	148.00	8.1	154.50
Hog Conc. (cwt.)	13.50	14.00	− 3.6	13.00	3.8	13.83
Laying Feed (ton)	187.00	189.00	− 1.1	174.00	7.5	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

Farm Prices

The prices received by Kansas farmers for field crops in January continued their roller-coaster ride begun last year: wheat and soybean prices fell from their December levels, sorghum and hay prices rose, and corn prices remained unchanged. In contrast to the prices posted in January 1979, this January's prices were strikingly higher for wheat, sorghum, and corn; soybean and hay prices were lower.

Three of the livestock and livestock product prices dropped from December to January (beef cattle, calves, and hogs), two rose (lamb and, most strikingly, sheep), and milk prices remained unchanged. Compared to prices a year ago, all prices, except for hogs, were higher. Hog prices declined by a sharp 56 percent. The increases in price for beef cattle, calves, lambs, and milk were quite modest—all single-digit rates far below the rate of inflation.

A comparison of the annual average prices for 1978 and 1979 and the January 1980 prices suggests some cause for concern relative to what Kansas farmers can anticipate for the rest of this year. The annual average prices for field crops, livestock (excepting hogs), and live-stock products in 1979 were dramatically higher than those in 1978, and one consequence of these increases was the sale of $5.8 billion in cash receipts for farm products. The magnitude of this figure and the large rate of increase in prices that it created are unlikely to be matched in 1980; certainly, the January 1980 prices do not indicate any commensurate surge. In fact, many farm analysts are predicting for 1980 a reverse of the pattern set in 1978-79, and their expectation is for a decline in farm income of around 20 percent. This forecast calls for declining field crop prices; in contrast to that prediction, farm analysts anticipate modest improvement in the price situation for Kansas producers of livestock and livestock products in 1980.

The prices paid by Kansas farmers either dropped or remained unchanged from December to January. However, from January 1979 to January 1980, all prices rose. The range of increases was from 3.8 percent for hog concentrate to 11.3 percent for bran. Four of the six products bought by Kansas farmers had prices higher in January than the annual average prices in 1979, but the rates of increase were rather small. These modest increases and the two declines in price appear to represent a cooling-off period in prices following the sharp increases experienced over the last two years. (See Table VI.)

Financial Activity

The January banking data reveal a sharp disparity between the statewide pattern and the performance in the three major banking centers. Statewide, loans declined by 12.4 percent from December to January, demand deposits rose by 4.3 percent, and time and savings deposits declined by 0.1 percent. The most interesting point of contrast concerns demand deposits: they fell by more than 4.9 percent in Topeka, Wichita, and Kansas City, Kansas. Loans fell sharply in Kansas City, Kansas (– 9.4 percent), in keeping with the statewide trend, but rose slightly in Topeka and Wichita. After a relatively stable performance in December, the loan-to-deposit ratio dropped significantly for the State and moderately in Wichita and Kansas City, Kansas; Topeka banks recorded a slight increase.

Over the year, the loan-to-deposit ratio is 2.3 percent lower across the State, and, from January 1979 to January 1980, it fell 3.3 percent and 8.6 percent in Kansas City, Kansas and Wichita, respectively. For the year, loans rose modestly for the State and in Wichita and Topeka; they declined by 1.1 percent in Kansas City, Kansas. Time and savings deposits increased strongly statewide and in Wichita and Kansas City, Kansas—only moderately in Topeka. Demand deposits rose sharply in Wichita, increased by 5.5 percent in Topeka, and declined in Kansas City, Kansas. (See Table VII.)

The January 1980 figures for savings and loans institutions show that the 1979 pattern of activity continued into the new year. Net new savings and mortgage loans made were down dramatically for the month; they also registered sharp declines in volume from January 1979 to January 1980. (See Table VIII.)

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Kansas—Statewide					
Loans	6,943	7,926	– 12.4	6,555	5.9
Demand Deposits	4,707	4,515	4.3	4,523	4.1
Time & Saving Deposits	8,365	8,370	– 0.1	7,301	14.6
Loan-to-Deposit Ratio	53.1%	61.5%		55.4%	
Kansas City (Wyandotte)					
Loans	462	510	– 9.4	467	– 1.1
Demand Deposits	260	279	– 6.8	277	– 6.1
Time & Saving Deposits	569	578	– 1.6	515	10.5
Loan-to-Deposit Ratio	55.7%	59.5%		59.0%	
Topeka (Shawnee)					
Loans	503	493	2.0	467	7.7
Demand Deposits	328	345	– 4.9	311	5.5
Time & Saving Deposits	511	510	0.2	485	5.4
Loan-to-Deposit Ratio	60.0%	57.7%		58.7%	
Wichita (Sedgwick)					
Loans	1,215	1,212	0.2	1,196	1.6
Demand Deposits	865	916	– 5.6	765	13.1
Time & Saving Deposits	1,239	1,124	10.2	1,039	19.2
Loan-to-Deposit Ratio	57.7%	59.4%		66.3%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Net New Savings	15,167	43,656	– 65.3	50,824	– 70.2
Mortgage Loans Made	44,014	51,351	– 14.3	75,662	– 41.8

Source: Federal Home Loan Bank of Topeka

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Advisory Board of the Institute for Economic and Business Research—Professor Darwin W. Daicoff, Director, Institute for Economic and Business Research; Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Ronald R. Olsen, Chairman, Department of Economics; Dean Joseph Pichler, School of Business; Executive Vice Chancellor Delbert Shankel.

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Who Settles Kansas Labor Disputes? A Profile Of The Region's Labor Arbitrators

Robert A. McLean

Dr. McLean is Assistant Professor of Business Administration in the School of Business at the University of Kansas.

Grievance Arbitration and Grievance Arbitrators

Disputes arising during the lives of labor agreements concerning the rights of employees seldom reach the courts in the United States. Rather, a parallel system of law has developed, its judges accountable to no civil authority: the system of grievance arbitration. Thus, those who settle the 20,000 or so grievances decided in the country annually play an important role in shaping the way business is conducted, yet the arbitrators themselves are an almost invisible group. (For a thorough discussion of the arbitration process, see Elkouri and Elkouri, *How Arbitration Works,* third edition, Bureau of National Affairs, 1973.)

Thus, those who settle the 20,000 or so grievances decided in the country annually play an important role in shaping the way business is conducted, yet the arbitrators themselves are an almost invisible group.

From the work of other scholars, a few generalizations can be made about the nation's arbitrators (one source is Krislov, "The Supply of Arbitrators: Prospects for the 1980's," *Monthly Labor Review,* October 1976). First, there are relatively few individuals engaged in arbitration, most on a part-time basis. Only about 100 persons are full-time arbitrators. Second, arbitrators tend to be older than the general population. In part, this difference reflects the reluctance of labor and management to trust grievance decisions to the young and inexperienced. Also, the age of the arbitrator population is due to historical accident, many of today's arbitrators having received their training during service with the War Labor Board during World War II. This group of war-trained arbitrators has been adequate for recent case loads, and there has been no widespread effort to train a younger cohort of grievance arbitrators. Third, arbitrators tend to be drawn from two occupational groups, attorneys and college professors (mainly of business administration, economics, and law).

There are two sources of arbitrators for parties desiring their services: the American Arbitration Association (AAA) and the Federal Mediation and Conciliation Service (FMCS). The AAA is a private association supplying, for a fee, lists of arbitrators. The FMCS, a branch of the U.S. Department of Labor, maintains a list of private citizens qualified to arbitrate grievances, which it supplies to parties without charge.

Table I
Major* Collective Agreements in Effect July 1, 1975

	Number of Agreements	Workers Covered
U.S.	1,514	7,069,750
Region VII	49	126,800
Kansas	**3**	**12,750**
Iowa	9	20,900
Missouri	31	81,050
Nebraska	3	6,600
Multi-state	3	5,500

*All agreements covering 1,000 or more workers.

Source: Bureau of Labor Statistics, *Characteristics of Major Collective Bargaining Agreements, July 1, 1975,* Washington D.C.: Government Printing Office, 1977, p. 10.

The Regional Industrial Relations Environment

The Bureau of Labor Statistics defines Region VII as being the states of Kansas, Iowa, Missouri, and Nebraska. Table I shows the breakdown by state of major collective bargaining agreements (defined as those covering 1,000 or more workers) in force in Region VII July 1, 1975. Clearly, collective bargaining is not so prevalent in Region VII as in some other parts of the nation. Only 3.2 percent of these "major" agreements were negotiated in the four-state area.

Of the four states in Region VII, three (Kansas, Iowa, and Nebraska) have right-to-work laws. These laws, sanctioned by Section 14 (b) of the Taft-Hartley Act, make agreements requiring union membership of employees illegal. Such laws may have several effects on the industrial relations environments of the states in which they are in force. First, paradoxically, they may make it easier for unions to win representation elections. Potentially represented employees may be more likely to vote for union representation if they view as small the probability that they will have to pay union dues. On the other hand, unions may be less likely to engage in organizing activity in states in which they may be required to offer services to nonmembers. Similarly, right-to-work laws almost surely tend to reduce the percentage of the workforce actually paying dues to unions. Thus, in states in which right-to-work laws are in force, unions can be expected to be weaker organizations than in non-right-to-work states. For the purposes at hand, one would expect fewer grievances to reach the stage of arbitration in right-to-work states than in non-right-to-work states, all other considerations being equal.

Region VII Labor Arbitrators: A Statistical Profile

Table II presents a statistical profile of labor arbitrators practicing in Region VII. These data were drawn from biographical sketches of arbitrators provided by the FMCS. Individuals were classified by state according to their business addresses. It should be emphasized that, if one were to request a list of arbitrators, the FMCS would not limit itself to names of arbitrators residing in the state in which the grievance is to be decided. Rather, arbitrators practicing in nearby states would also be considered.

As is clearly shown in Table II, the "typical" arbitrator in the sample is a middle-aged male attorney. The mean age of the group is quite high—58 years. The youngest arbitrator in the sample is 32 years old, while the oldest is 84. Only Iowa's arbitrators are significantly younger than the overall regional average, probably reflecting the relatively greater participation of that state's university professors. Only one woman in the four-state region is listed by the FMCS as being a practicing arbitrator.

The number of arbitrators based in Kansas may be adequate for the current case load . . . but it may not be adequate for future demands.

Per diem fees for the arbitrators in the sample vary somewhat but are centered around $250. Fees range from $150 to $350 within the sample. While data for arbitrators nationwide are not available, casual observation suggests that the fees charged by Region VII arbitrators are fairly typical of the nation as a whole.

Of particular interest is the role of attorneys in the arbitration profession. Sixty-one percent of the individuals in the sample are attorneys (professors holding law degrees were classified as both professors and attorneys; full-time arbitrators holding law degrees were classified as arbitrators only). This finding supports two conclusions. First, legal training is the preferred route to the practice of arbitration. Second, parties engaged in grievance arbitration prefer to have an arbitrator who is familiar with the myriad of laws and regulations that now surround the employer/employee relationship.

Membership in the National Academy of Arbitrators (NAA) is an honor bestowed on distinguished members of the arbitration profession. Using NAA membership as a measure of the status of arbitrators sheds some light on the position of Region VII arbitrators in their own professional hierarchy. Kansas and Nebraska arbitrators appear to be, on average, fairly low in the status hierarchy, according to the NAA membership measure. On the other hand, 40 percent of Iowa arbitrators (again, reflecting the participation of a distinguished group of academics) and 34 percent of Missouri arbitrators are members of the NAA.

Among interstate differences within the sample, the most striking is the numerical dominance of Missouri-based arbitrators. Fully 64 percent of the arbitrators in Region VII practice from offices in Missouri. In part, this dominance reflects the active labor relations climate in that state. Table I shows that, of the 46 major contracts that can be attributed to only one state in the region, almost 85 percent can be ascribed to Missouri.

The Future for Kansas

Some issues specific to Kansas-based arbitrators remain to be discussed. First, the solution of industrial grievances through voluntary arbitration is an ever more common occurrence. The number of arbitrators based in Kansas may be adequate for the current case load (especially given the presence of the large stock of qualified persons in Missouri), but it may not be adequate for future demands.

Table II
Characteristics of Labor Arbitrators

	Kansas*	Iowa*	Missouri*	Nebraska*	Region VII
Total	**5**	10	38	6	59
Women	**0**	0	1	0	1
Mean Per Diem Fee	**$275.00**	$250.00	$247.76	$245.83	$249.44
Mean Age	**60.4**	53.1	59.5	64.5	58.0
Number of Members of N.A.A.	**1**	4	13	0	18
Attorneys**	**4**	4	24	4	36
Professors**	**2**	7	11	2	22
Arbitrators (n.e.c.)***	**0**	0	7	2	9

*Classification by state is based on business address
**An individual may be counted as both an attorney and as a professor
***This category includes some retired attorneys and professors

Source: Federal Mediation and Conciliation Service, 1979

Further, one may question whether or not Kansans, if demand increases, will want to rely extensively on arbitrators from another state. It may be a better policy to develop an indigenous group of arbitrators, familiar with the industries, industrial relations practices, and bargaining parties of Kansas. If a local supply of arbitrators is to be developed, they must be selected and trained. No formal mechanism for that selection and training exists. In that, Kansas shares a problem with the rest of the United States.

A related matter is the reluctance of the faculty of Kansas' colleges and universities to become involved in the arbitration profession. University faculty nationwide form a source of highly trained and motivated individuals who can enter arbitration with unquestioned neutral status. Development of a qualified force of arbitrators for the future of Kansas might begin in the universities. To that end, recent employment of university faculty as fact-finders for the Kansas Public Employment Relations Board may be a step in the right direction.

Kansas in February

General Business

The economic data for February supply a preliminary answer to the question asked last month in *Kansas Business Review:* In what direction is the 1980 national economy headed? It appears that the size of the national economy (as measured by GNP) temporarily peaked at the end of January. Therefore, although the first quarter GNP figure may indicate some growth, this growth is due to the strong activity of the economy in January which offset the weak performance of the economy in February and March. If the recession does begin with the second quarter of 1980, then the coming year will be one wherein real GNP was larger in January 1980 than in December 1980. Inflation should moderate during the recession, although it certainly did not moderate during the first quarter of 1980. However, along with the expected moderation in inflation due to the slackening of demand comes the opposite side of the coin: increasing unemployment, declining sales, and loss of consumer confidence.

The downturn in the national economy appears to be spilling over into the Kansas economy. The average weekly earnings for manufacturing fell for the second month in a row and is now 4.7 percent below the December 1979 figure and only 5.4 percent above the same figure for February 1979. The Kansas City CPI rose over 15 percent during this period; thus, workers' real wages fell more than 10 percent from February 1979 to February 1980. Along with the drop in wages, manufacturing workers have also experienced a decline in their work week in each of the past two months which totals to a 4.8 percent drop since December 1979. Also, initial claims for unemployment insurance for the past three months are dramatically higher than for the same three months a year ago. The increase in initial claims for unemployment and the drop in the work week indicate that, at least in the near future, Kansas's employment picture will probably get worse. (See Table I.)

Employment

As reported by the Research and Analysis Section of the Kansas Department of Human Resources, the February data for nonfarm wage and salary employment show a 0.5 percent decline in the number of persons employed in all industries since January. Of the ten major categories of employment, seven registered declines. Contract construction recorded the

TABLE I
GENERAL BUSINESS INDICATORS

	Feb. 1980	Jan. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	39.70	40.50	– 2.0	41.10	40.70
Average Weekly Earnings (dollars)	284.65	289.17	– 1.6	287.35	240.99
Initial Claims for					
Unemployment Insurance	11,065.00	21,295.00	– 48.0	10,105.00	8,082.00
New Incorporations					
In-State For Profit	368.00	444.00	– 17.1	402.00	336.00
Out-of-State	81.00	74.00	9.5	92.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
All Industries	943.2	947.7	– 0.5	920.1	2.5
Manufacturing	197.7	199.7	– 1.0	196.0	0.9
Durable Goods	132.5	133.2	– 0.5	128.9	2.8
Stone, Clay, Glass	8.9	8.9	0.0	8.3	7.2
Primary Metals	4.2	4.2	0.0	4.1	2.4
Fabricated Metal Products	13.0	13.4	– 3.0	13.9	– 6.5
Machinery (incl. elec.)	38.1	38.4	– 0.8	36.6	4.1
Transportation Equipment	56.3	56.1	0.4	53.6	5.0
Aircraft & Parts	46.1	45.7	0.9	41.7	10.6
Other Durable Goods	12.0	12.2	– 1.6	12.4	– 3.2
Nondurable Goods	65.2	66.5	– 2.0	67.1	– 2.8
Food & Kindred Products	22.0	22.7	– 3.1	22.5	– 2.2
Meat Products	8.9	9.3	– 4.3	8.7	2.3
Apparel	3.4	3.5	– 2.9	3.6	– 5.6
Printing & Publishing	17.2	17.1	0.6	16.6	3.6
Chemicals	8.9	8.8	1.1	8.5	4.7
Petroleum & Coal	3.9	4.4	– 11.4	4.4	– 11.4
Other Nondurable	9.8	10.0	– 2.0	11.5	– 14.8
Mining	13.6	14.2	– 4.2	12.8	6.3
Oil & Gas Extraction	11.7	12.6	– 7.1	11.2	4.5
Contract Construction	41.9	45.9	– 8.7	38.6	8.5
Trans., Comm., Elec., Gas	64.4	65.1	– 1.1	64.1	0.5
Wholesale Trade	63.8	64.4	– 0.9	61.6	3.6
Retail Trade	160.3	162.7	– 1.5	156.5	2.4
Finance, Insurance, Real Estate	46.0	46.1	– 0.2	44.7	2.9
Services	168.2	167.0	0.7	159.6	5.4
Federal Government	26.3	26.2	0.4	25.9	1.5
State & Local Government	161.0	156.4	2.9	160.3	0.4

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,196,800	1,192,000	0.4	1,166,200	2.6
Employed	1,147,900	1,147,900	0.0	1,126,800	1.9
Farm	53,200	47,900	11.1	54,400	– 2.2
Non-Farm	1,094,700	1,100,000	– 0.5	1,072,400	2.1
Unemployed	45,000	44,100	2.0	39,400	14.2
Rate	3.8%	3.7%		3.4%	
Lawrence SMSA					
Civilian Labor Force	35,300	34,400	2.6	33,900	4.1
Employed	34,000	33,000	3.0	32,700	4.0
Farm	700	600	16.7	700	0.0
Non-Farm	33,300	32,400	2.8	32,000	4.1
Unemployed	1,300	1,400	– 7.1	1,200	8.3
Rate	3.7%	4.1%		3.5%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	270,300	270,100	0.1	257,800	4.8
Employed	259,200	259,800	– 0.2	248,400	4.3
Farm	1,200	1,100	9.1	1,200	0.0
Non-Farm	258,000	258,700	– 0.3	247,200	4.4
Unemployed	11,100	10,300	7.8	9,400	18.1
Rate	4.1%	3.8%		3.6%	
Topeka SMSA					
Civilian Labor Force	95,100	94,500	0.6	93,100	2.1
Employed	90,400	90,100	0.3	89,100	1.5
Farm	1,600	1,400	14.3	1,600	0.0
Non-Farm	88,800	88,700	0.1	87,500	1.5
Unemployed	4,700	4,400	6.8	4,000	17.5
Rate	4.9%	4.7%		4.3%	
Wichita SMSA					
Civilian Labor Force	226,100	225,600	0.2	214,500	5.4
Employed	219,200	219,100	0.0	207,700	5.5
Farm	2,200	1,900	15.8	2,200	0.0
Non-Farm	217,000	217,200	– 0.1	205,500	5.6
Unemployed	6,900	6,500	6.2	6,800	1.5
Rate	3.1%	2.9%		3.2%	

largest decline of 8.5 percent; finance, insurance, and real estate the smallest at 0.2 percent. State and local government, services, and federal government had increases in employment of 2.9 percent, 0.7 percent, and 0.4 percent, respectively. In general, the February data for employment by place of work either reflects a temporary disequilibrium in a few special labor markets or a period of instability preceding a dramatic downward swing in employment. March and April data should clarify the emerging condition of the State's labor market. The pattern of near uniform declines discussed above reveals, in part, the traditional winter depression in the Kansas labor market; however, the extremes of some of the data also suggest a deteriorating situation.

The comparison of the February 1980 data to that of February 1979 provides another perspective upon the State's employment picture in the late winter and early spring of this year. Over the year, employment in all industries increased 2.5 percent, and all ten major categories recorded gains. Therefore, it is clear that the February 1980 data still show the influence of the past year's notable achievements in employment; however, it is significant as well that the 2.5 percent increase is the smallest such figure recorded since November, 1977. That is, this comparative data shows employment in Kansas leveling off after almost three years of steady high growth. A two-year comparison of the data from the manufacturing category provides a good indication of this development in Kansas employment early this year. From February 1978 to February 1979, manufacturing employment increased by 10.3 percent; from February 1979 to February 1980, the increase was only 0.9 percent. (See Table II.)

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,750	17,525	1.3	17,050	4.1
Employed	17,300	17,075	1.3	16,550	4.5
Farm	775	700	10.7	800	-3.1
Non-Farm	16,525	16,375	0.9	15,750	4.9
Unemployed	450	450	0.0	500	-10.0
Rate	2.5%	2.6%		2.9%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,600	16,025	3.6	16,400	1.2
Employed	15,750	15,275	3.1	15,500	1.6
Farm	700	625	12.0	725	-3.4
Non-Farm	15,050	14,650	2.7	14,775	1.9
Unemployed	850	750	13.3	900	-5.6
Rate	5.1%	4.7%		5.5%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,675	17,425	1.4	17,475	1.1
Employed	17,125	16,875	1.5	17,050	0.4
Farm	700	625	12.0	725	-3.4
Non-Farm	16,425	16,250	1.1	16,325	0.6
Unemployed	550	550	0.0	425	29.4
Rate	3.1%	3.2%		2.4%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,875	20,875	0.0	21,325	-2.1
Employed	20,175	20,200	-0.1	20,800	-3.0
Farm	500	450	11.1	525	-4.8
Non-Farm	19,675	19,750	-0.4	20,275	-3.0
Unemployed	700	675	3.7	525	33.3
Rate	3.4%	3.2%		2.5%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	31,900	31,625	0.9	31,200	2.2
Employed	30,900	30,700	0.7	30,125	2.6
Farm	1,125	1,000	12.5	1,150	-2.2
Non-Farm	29,775	29,700	0.3	28,975	2.8
Unemployed	1,000	925	8.1	1,075	-7.0
Rate	3.1%	2.9%		3.4%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,975	20,900	5.1	21,350	2.9
Employed	21,175	20,250	4.6	20,575	2.9
Farm	900	800	12.5	900	0.0
Non-Farm	20,275	19,450	4.2	19,675	3.0
Unemployed	800	650	23.1	775	3.2
Rate	3.6%	3.1%		3.6%	
Saline Co.—Salina Area					
Civilian Labor Force	26,025	25,900	0.5	25,600	1.7
Employed	24,900	24,900	0.0	24,625	1.1
Farm	600	525	14.3	600	0.0
Non-Farm	24,300	24,375	-0.3	24,025	1.1
Unemployed	1,125	1,000	12.5	975	15.4
Rate	4.3%	3.9%		3.8%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Feb. * 1980	Nov.* 1980	% change	Feb.* 1979	% change
Apparel	38.7	24.3	59.3	32.1	20.6
Automotive	194.6	194.4	0.1	172.6	12.7
Food	252.9	215.3	17.5	216.0	17.1
Furniture	49.6	38.1	30.2	41.5	19.5
General Merchandise	194.6	129.9	49.8	159.7	21.9
Lumber and Building Materials	99.5	87.1	14.2	81.8	21.6
Professional and Personal Service	44.2	36.0	22.8	34.4	28.5
Public Utilities	42.5	46.5	– 8.6	93.5	– 54.5
Unclassified	103.7	90.3	14.8	83.9	23.6
Farm and Garden Products	1.1	0.8	37.5	0.8	37.5
Manufacturing and Trading	84.6	70.6	19.8	63.4	33.4
Miscellaneous	2.5	2.3	8.7	1.7	47.1
Total	1109.0	936.1	18.5	981.5	13.0

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

Regional Employment

The regional employment data supplied by the Research and Analysis Section of the Kansas Department of Human Resources gives a more emphatic picture of the erosion in State employment. From January to February, eight of the eleven major regional areas recorded rising rates of unemployment and increases in the number of unemployed. The statewide data reveal the same pattern: the Kansas unemployment rate rose from 3.7 percent in January to 3.8 percent in February, and the number of persons unemployed rose 2.0 percent. The influence of this upward movement in the number of unemployed was fueled by increases in all eleven areas in the size of the civilian labor force, the effects of which were not balanced by commensurate gains in the number of employed. The special case of the February 1980 data in comparison to that of January 1980 is further illustrated upon looking at comparable two-month data of a year ago. Then, the monthly data showed a general pattern of falling unemployment rates, of declines in the number of unemployed, and of increases in the size of the civilian labor force exceeded by increases in the number of employed—just the reverse of the February 1980 pattern.

The comparison of the February 1980 and February 1979 data substantiates the picture of an eroding labor market. Over the year, the unemployment rate for the State rose from 3.4 percent to 3.8 percent, and the number of unemployed increased a sharp 14.2 percent. Again, looking at the data from the preceding year (February 1978-February 1979) affords an illuminating contrast. During that year's time, the unemployment rate *fell* from 4.0 percent to 3.5 percent, and the number of unemployed *declined* 10.7 percent. For this most recent year, six regional areas also registered rising rates of unemployment, and eight experienced increases in the number of people unemployed. (See Table III.)

Retail Sales

The presence of the misleading September data in the quarter ending in November 1979 renders impossible a meaningful comparison with the December-January-February quarter. However, an accurate comparison of February 1980 and February 1979 quarters is possible, and it reveals a rather startling development in retail sales across the State. Although total retail sales for all business classifications increased at a rate (13 percent) below the rate of inflation, nine of the eleven major classifications (excluding public utilities) had increases in sales in excess of the yearly inflation rate. Food sales were approximately equal to the rate of inflation, and automobile sales lagged behind; however, all other categories had increases in excess of 19 percent. Of these nine, the small miscellaneous class had the greatest increase at 47.1 percent; at the other end of this range of increases, furniture recorded a gain over the year of 19.5 percent. This data is difficult to interpret because this pattern of significant growth in retail sales occurs in an environment of depressed economic activity. One interpretation could be that these retail sales figures testify to Kansas' relative immunity from a deteriorating national economy, but the possibility also exists that the data reflect noneconomic influences, such as disturbances in the usual method of sales tax collections. It is interesting to note that, if the data is accurate, the behavior of retail sales in Kansas contrasts sharply to that of employment: whereas the downward swing in employment suggests that Kansas is participating in the nation's drift towards a recession, the upward movement in retail sales suggests otherwise. (See Table IV.)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Feb. 1980	Sales * Nov. 1979	Change From Nov. 1979 (%)	Sales * Feb. 1979	Change From Feb. 1979 (%)
Allen	5,901	4,577	28.9	4,781	23.4
Anderson	2,645	2,269	16.5	2,000	32.2
Atchison	5,393	4,513	19.5	4,694	14.9
Barber	2,649	2,355	12.5	2,067	28.2
Barton	27,551	21,570	27.7	20,691	33.2
Bourbon	6,212	5,048	23.1	5,132	21.0
Brown	3,872	3,200	21.0	3,294	17.6
Butler	16,647	14,295	16.5	13,042	27.6
Chase	856	645	32.7	713	20.1
Chautauqua	1,269	996	27.4	983	29.0
Cherokee	4,530	3,850	17.7	3,940	15.0
Cheyenne	1,652	1,291	28.0	1,113	48.5
Clark	714	494	44.4	519	37.4
Clay	3,558	2,805	26.9	3,042	17.0
Cloud	5,172	4,084	26.6	4,438	16.5
Coffey	2,286	1,990	14.9	1,904	20.1
Comanche	630	491	28.3	523	20.3
Cowley	15,290	11,402	34.1	12,274	24.6
Crawford	13,480	11,523	17.0	11,368	18.6
Decatur	1,683	1,493	12.7	1,328	26.7
Dickinson	6,419	5,433	18.2	5,383	19.2
Doniphan	1,840	2,096	− 12.2	1,904	− 3.4
Douglas	24,456	20,738*	17.9	21,094	15.9
Edwards	1,086	1,017	6.9	944	15.0
Elk	731	571	28.0	636	14.9
Ellis	14,476	11,979	20.8	12,112	19.5
Ellsworth	1,887	1,922	− 1.9	1,604	17.6
Finney	16,637	14,054	18.4	14,165	17.5
Ford	16,342	13,773	18.7	12,952	26.2
Franklin	7,630	6,340	20.3	6,199	23.1
Geary	9,124	7,438	22.7	7,734	18.0
Gove	1,422	1,134	25.3	1,238	14.9
Graham	1,849	1,529	21.0	1,294	42.9
Grant	3,917	3,443	13.8	3,082	27.1
Gray	1,926	1,617	19.1	1,679	14.7
Greeley	567	476	19.0	450	26.0
Greenwood	2,953	2,641	11.8	2,415	22.3
Hamilton	780	780	0.0	775	0.7
Harper	3,025	2,794	8.3	2,427	24.6
Harvey	10,639	8,581	24.0	8,535	24.7
Haskell	1,120	999	12.2	980	14.3
Hodgeman	375	385	− 2.5	341	10.2
Jackson	2,457	2,064	19.0	2,288	7.4
Jefferson	2,863	2,984	− 4.1	2,122	34.9
Jewell	953	748	27.4	841	13.3
Johnson	137,627	111,181	23.8	113,263	21.5
Kearny	778	657	18.5	660	17.9
Kingman	2,897	2,232	29.8	2,101	37.9
Kiowa	1,430	1,256	13.8	1,091	31.0
Labette	8,724	7,287	19.7	7,762	12.4
Lane	888	806	10.2	709	25.1
Leavenworth	12,750	10,581	20.5	11,104	14.8
Lincoln	1,174	1,026	14.4	1,039	13.0

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Feb. 1980	Sales * Nov. 1979	Change From Nov. 1979 (%)	Sales * Feb. 1979	Change From Feb. 1979 (%)
Linn	1,781	1,753	1.6	1,586	12.3
Logan	1,973	1,772	11.3	1,479	33.4
Lyon	14,415	11,901	21.1	11,904	21.1
McPherson	10,348	9,744	6.2	9,205	12.4
Marion	4,110	3,403	20.8	3,410	20.5
Marshall	4,591	3,454	32.9	3,637	26.2
Meade	1,490	1,339	11.3	1,183	25.9
Miami	6,542	5,637	16.1	5,050	29.5
Mitchell	3,988	3,215	24.1	3,243	23.0
Montgomery	16,767	14,419	16.3	14,708	14.0
Morris	1,615	1,258	28.4	1,411	14.4
Morton	1,338	1,106	21.0	1,101	21.5
Nemaha	3,759	3,019	24.5	3,130	20.1
Neosho	8,920	7,159	24.6	7,073	26.1
Ness	2,124	1,564	35.8	1,446	46.8
Norton	2,501	2,104	18.9	2,074	20.6
Osage	3,495	3,097	12.8	2,725	28.2
Osborne	1,753	1,656	5.9	1,660	5.6
Ottawa	1,264	1,103	14.6	1,033	22.4
Pawnee	3,416	2,980	14.6	2,708	26.1
Phillips	2,819	2,403	17.3	2,388	18.0
Pottawatomie	5,174	3,909	32.4	3,838	34.8
Pratt	5,801	4,532	28.0	4,486	29.3
Rawlins	1,069	899	18.9	880	21.5
Reno	32,768	27,417	19.5	26,536	23.5
Republic	2,619	2,363	10.8	2,196	19.3
Rice	3,372	2,881	17.0	2,842	18.6
Riley	17,176	14,208	20.9	14,759	16.4
Rooks	4,094	3,178	28.8	2,876	42.3
Rush	1,480	1,320	12.2	1,128	31.3
Russell	5,710	4,754	20.1	4,273	33.6
Saline	29,828	25,026	19.2	24,552	21.5
Scott	2,762	2,279	21.2	2,605	6.0
Sedgwick	215,273	177,683	21.2	173,556	24.0
Seward	13,091	10,690	22.5	11,046	18.5
Shawnee	78,240	68,357	14.5	68,790	13.7
Sheridan	1,311	1,077	21.7	1,066	23.0
Sherman	4,560	3,897	17.0	3,737	22.0
Smith	1,934	1,687	14.6	1,690	14.4
Stafford	1,752	1,455	20.3	1,197	46.3
Stanton	863	605	42.7	530	62.9
Stevens	1,597	1,514	5.4	1,370	16.5
Sumner	6,808	5,592	21.7	5,728	18.9
Thomas	4,770	4,378	9.0	4,354	9.6
Trego	1,338	1,328	0.8	1,285	4.1
Wabaunsee	1,139	1,008	12.9	1,025	11.1
Wallace	623	595	4.7	585	6.6
Washington	2,252	1,817	23.9	2,033	10.8
Wichita	953	881	8.2	875	9.0
Wilson	2,890	2,632	9.8	2,897	− 0.3
Woodson	1,197	1,065	12.3	908	31.7
Wyandotte	63,728	56,968	11.9	55,812	14.2

Source: Tax Research Section
Kansas Department of Revenue

County Retail Sales

The comparisons of the two consecutive quarters and of the 1979 and 1980 February quarters substantiate the surprisingly strong showing in retail sales discussed above. Of the State's 105 counties, only four registered declines from the November 1979 quarter to that of February 1980; Hamilton County recorded no change. For this same period, only 10 counties had increases in retail sales below the rate of increase in the CPI. Over the year, only two counties—Doniphan and Wilson—experienced declines in retail sales, and more than two thirds of those 103 counties registering increases had rates of increase exceeding the rate of inflation. Thus, the retail sales data suggest that the growth in retail sales during the early months of 1980 was a strong area in the state's economy—an economy that, in other ways, was reflective of the recessionary environment. (See Table V.)

Farm Prices

The prices received by Kansas farmers for field crops were relatively stable in February, except for hay. Hay prices fell by $7.50 per ton from the January price. The price for wheat increased over the month by only 0.5 percent, corn prices fell a modest 2.0 percent, sorghum prices rose by 1.0 percent, and the price of soybeans remained unchanged. However, when February 1980 prices for field crops are compared to those in February 1979, a pattern of more active changes emerges. Over the year, wheat prices rose by 26.0 percent, corn prices by 9.9 percent, and sorghum prices by 16.1 percent; in the opposite direction of change, hay prices and the price of soybeans fell by a striking 11.7 percent and 14.9 percent, respectively.

Only lamb prices fell from January to February (down 7.1 percent); the prices for all other livestock and livestock products rose within a range of increase from 14.9 percent for beef cattle to 0.8 percent for milk. The sharp upward movement in the price of beef cattle and in sheep prices as well (up 11.4 percent) was in response to two months of rather repressed price activity. Compared to a year ago, this month's prices were dramatically higher for sheep (up 45.5 percent); beef cattle prices rose by 12 percent over the year. Milk and calves prices showed only modest increases (0.7 percent and 6.6 percent, respectively) whereas the prices for hogs and lambs registered severe declines at 33.1 percent and 10.0 percent, respectively. This February 1980 data for field crops, livestock, and livestock products—with the few aforementioned exceptions—shows that farm prices are failing to keep up with either the monthly or quarterly rates of inflation.

The majority of the prices paid by Kansas farmers continued to rise from January to February: bran prices rose by 2.5 percent, 16 percent dairy feed by 0.6 percent, hog concentrate by 3.7 percent, and laying feed by 1.6 percent; soybean meal prices remained unchanged, and beef concentrate

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.73	3.71	0.5	2.96	26.0	3.49
Corn (bu.)	2.45	2.50	− 2.0	2.23	9.9	2.48
Sorghum (cwt.)	3.89	3.85	1.0	3.35	16.1	3.75
Hay (ton)	49.00	51.50	− 4.9	55.50	− 11.7	50.17
Soybeans (bu.)	5.92	5.92	0.0	6.96	− 14.9	6.72
Livestock & Products						
Beef Cattle (cwt.)	75.50	65.70	14.9	67.40	12.0	67.82
Calves (cwt.)	85.00	83.90	1.3	84.40	0.7	87.14
Hogs (cwt.)	35.60	34.90	2.0	53.20	− 33.1	41.83
Lambs (cwt.)	63.00	67.80	− 7.1	70.00	− 10.0	66.18
Sheep (cwt.)	30.40	27.30	11.4	20.90	45.5	21.15
Milk (cwt.)	12.90	12.80	0.8	12.10	6.6	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.00	12.00	0.0	12.00	0.0	12.33
Bran (cwt.)	8.10	7.90	2.5	7.50	8.0	7.55
Beef Conc. (cwt.)	9.80	10.00	− 2.0	9.50	3.2	9.61
16% Dairy Feed (ton)	161.00	160.00	0.6	149.00	8.1	154.50
Hog Conc. (cwt.)	14.00	13.50	3.7	13.50	3.7	13.83
Laying Feed (ton)	190.00	187.00	1.6	174.00	9.2	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Kansas—Statewide					
Loans	6,865	6,937	– 1.0	6,495	5.7
Demand Deposits	4,297	4,519	– 4.9	4,037	6.4
Time & Saving Deposits	8,598	8,420	2.1	7,591	13.3
Loan-to-Deposit Ratio	53.2%	53.6%		55.9%	
Kansas City (Wyandotte)					
Loans	442	460	– 3.9	462	– 4.3
Demand Deposits	251	252	– 0.4	262	– 4.2
Time & Saving Deposits	564	570	– 1.1	520	8.5
Loan-to-Deposit Ratio	54.2%	56.0%		59.1%	
Topeka (Shawnee)					
Loans	497	503	– 1.2	453	9.7
Demand Deposits	309	314	– 1.6	291	6.2
Time & Saving Deposits	516	520	– 0.8	524	– 1.5
Loan-to-Deposit Ratio	60.2%	60.3%		55.6%	
Wichita (Sedgwick)					
Loans	1,204	1,213	– 0.7	1,189	1.3
Demand Deposits	795	808	– 1.6	692	14.9
Time & Saving Deposits	1,255	1,252	0.2	1,111	13.0
Loan-to-Deposit Ratio	58.7%	58.9%		65.9%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Net New Savings	16,161	15,167	6.6	39,728	– 59.3
Mortgage Loans Made	42,229	44,014	– 4.1	64,957	– 35.0

Source: Federal Home Loan Bank of Topeka

prices declined by 2.0 percent. Over the year, the price for soybean meal did not change, but all other prices rose within a range of 9.2 percent for laying feed to 3.2 percent for beef concentrate. Within the context of sluggish price activity for farm products, the fact that the prices paid by Kansas farmers increased for the year at a rate less than that of inflation can be interpreted as a small bright spot in an otherwise darkening environment. (See Table VI.)

Financial Activity

The Kansas banking community has again responded to another action in the series of "new" tight money policies by the Federal Reserve. The latest prescription of even higher interest rates has been accompanied by credit controls on consumer loans. As a result, loans statewide and in each of the three major banking centers in Kansas dropped from January to February. During this period, the only categories which did not have a decline were time and savings deposits statewide and in Wichita. The declines in the loan-to-deposit ratios statewide and in each of the three major banking centers indicate that Kansas bankers are trying to firm up their position in light of an uncertain future. (See Table VII.)

The position of savings and loan institutions in Kansas again reflected the problems these institutions have faced nationwide and in Kansas for

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, February 1980

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	238.7	2.1	16.7	236.6	1.8	15.9
Food and Beverages	244.7	1.9	6.4	239.5	2.1	5.8
Food	250.4	1.9	6.3	245.4	2.1	5.6
Food at home	241.6	1.4	4.3	238.7	2.2	3.5
Cereals & bakery products	243.3	0.6	10.6	244.4	3.3	11.1
Meats, poultry, fish & eggs	228.6	0.2	-0.7	231.1	1.3	0.9
Dairy products	228.8	2.3	3.2	227.7	2.4	3.6
Fruits and vegetables	233.3	-1.7	3.5	216.9	-2.8	-5.2
Other foods at home	283.6	4.4	8.6	277.7	4.7	7.3
Food away from home	275.4	2.7	10.6	265.6	1.9	10.2
Alcoholic beverages	191.2	2.7	6.9	183.4	1.9	8.6
Housing	252.6	0.8	21.4	248.4	-0-	19.0
Shelter	279.5	-0-	27.7	274.3	-1.4	24.5
Rent (residential)	153.4	-0.1	6.0	153.4	-0.1	6.0
Other rental costs	222.7	1.2	7.1	225.9	1.4	7.3
Homeownership	325.0	-0-	31.6	318.0	-1.6	27.9
Fuel & other utilities	233.0	1.9	10.5	235.2	2.2	11.8
Fuels	301.4	3.2	16.1	304.1	3.5	17.5
Fuel oil, coal, & bottled gas*	163.8	11.2	64.0	173.5	12.6	NA
Gas (piped) & electricity	298.3	2.7	14.2	298.2	2.7	14.1
Household furnishings & oper.	193.8	3.6	7.1	190.7	4.0	5.1
Apparel & Upkeep	178.5	1.7	0.6	175.4	1.2	1.6
Men's & boys' apparel	195.2	—0.9	4.3	198.3	2.2	9.4
Women's & girls' apparel	165.0	8.6	-1.6	149.1	2.8	-8.2
Footwear	181.2	-7.5	-6.7	197.1	-1.5	5.9
Transportation	236.5	5.0	24.4	238.3	5.0	25.2
Private transportation	238.9	5.1	24.8	240.8	5.1	25.5
Public transportation	186.0	2.4	15.5	182.7	2.2	13.5
Medical Care	252.9	3.2	11.2	249.7	1.1	9.7
Medical care services	274.5	3.7	11.6	269.7	0.9	9.3
Entertainment	183.8	4.3	8.7	191.5	4.4	14.7
Other Goods & Services	212.3	2.1	10.3	216.7	3.0	11.9
ALL ITEMS (1957-59 = 100)	283.3			280.9		

* June 1978 = 100

more than the past year. Nationwide, the inflow of savings for the first quarter of 1980 was the lowest in a decade. Net new savings in Kansas were down 59.3 percent from a year ago while mortgage loans made were down 35.0 percent from a year ago. With the housing market looking worse now than it did a year ago, the immediate future for savings and loan institutions looks grim. (See Table VIII.)

Consumer Prices

The Kansas City consumer price index for the two-month period ending in February 1980 shows that the prices for all items rose 2.1 percent. The increases in the price for individual items ranged from a high of 5.0 percent for transportation to a low of 0.8 percent for housing. The remaining increases were in a range from 4.3 percent for entertainment to 1.7 percent for apparel.

Over the year, the prices for all items rose by 16.7 percent. The costs of transportation and housing were the leading contributors to the high rate of inflation as their prices rose by 24.4 percent and 21.4 percent, respectively. The other increases ranged from an 0.6 percent rise in apparel prices to an 11.2 percent rise in the cost of medical care. (See Table IX.)

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In this issue:

The Kansas Economy:
In March and in the Months Ahead

What's Ahead Kansas?

Institute for Economic and Business Research, The University of Kansas

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The Kansas Economy:
In March and the Months Ahead 1
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Michael Valk

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The Kansas Economy: In March and in the Months Ahead

. . . wherein the chief research analyst for the KU Institute for Economic and Business Research and the editor of *Kansas Business Review* attempt to review the State's recent economic performance and to forecast the State's performance in the difficult months ahead.

Robert Glass

Michael Valk

General Business

The American economy has been in a transition period for the last nine months. The unexpected growth of the last two quarters of 1979 ratcheted inflationary pressures one more notch. At the same time, the Federal Reserve, under the new leadership of Paul Volcker, began early last fall restricting the money supply which resulted in an inevitable rise in interest rates. Thus, the early winter months brought record interest rates (the prime rate hit 20 percent) and a surge in inflation (the inflation rate for the first quarter of 1980 was above an 18 percent annual rate of inflation). With the American economy seemingly on the brink of chaos, President Carter recalled his already prudent budget for FY 81 and reissued an even more prudent FY 81 budget which proposed to balance revenues and expenditures. In conjunction with the restrictive fiscal policy, the Federal Reserve, at the urging of President Carter, also tightened control of consumer credit. As the debate commenced over what in the Federal budget should be cut— there was general agreement in Congress that the level of expenditures should be lowered and that the defense budget should not be cut—the economic environment began to change. Lately, interest rates have been declining as fast as they rose last fall, a result of slackening demand for credit by business and of the monetary policy of the Federal Reserve which concentrates on an orderly growth in the money supply while allowing interest rates to fluctuate more. Consumer expenditures have been dropping since February, and unemployment rose sharply in April. At last, the long expected recession is upon us.

The current recession is unique in American history. This recession is the first planned recession, the purpose of which is to temper inflation.

The current recession is unique in American history. This recession is the first planned recession, the purpose of which is to temper inflation. The plan in Washington was to engineer a mild recession to dampen aggregate demand and inflationary expectations without causing an unsightly increase in unemployment. There is some evidence that Washington's wish may come true. Increases in the producer's price index have been moderate lately, and the April consumer price index figures represented a significant drop from the more than 18 percent annual rate of increase experienced during the first quarter of 1980. As for the "only a mild recession" part of the plan, the most encouraging indicator is the current low level of inventories due to both the fact that this recession has been predicted for such a long time and the high interest rates for the past eight months. The easing of credit controls and the rapid decline in interest rates are aimed at preventing a recession like the last Republican recession (1974-5).

If Washington is skillful (or lucky) enough to get their wish for a mild recession, this "success" does not mean that the recession will be "mild" for all. Ask Detroit when the recession began and they will tell you last summer. Ask homebuilders when the recession began and they will say eighteen months ago. Not only will certain sectors of the economy suffer more than others (such as the automobile and housing markets), but certain geographical areas and socioeconomic groups will suffer more. The large urban-industrial centers of the northcentral and northeastern regions have traditionally been hard hit by recessions. Further, because of the tradition of "last hired, first fired," minorities and women are harder hit by lay-offs. Thus, even a mild recession is still going to cause hardship for some.

The Kansas economy has also experienced a slowdown in the last nine months. The monthly average for initial claims for unemployment for the past six months is more than 33 percent above the monthly average for 1979, and this surge in initial claims for unemployment has all taken place in the past four months. The average weekly earnings in manufacturing for March were below the previous six months average and only $0.10 above the figure for October 1979. When the inflation rate is considered, it is obvious that Kansas manufacturing wage earners have experienced a sharp decline in purchasing power in the past six months. These statistics not only indicate a slowdown in the Kan-

Thus, the weakness in the farm markets makes the Kansas economy more vulnerable to a major disruption in the national economy than was thought nine months ago.

sas economy; they also suggest that this slowdown will continue for some time.

The slowdown is, in part, a reaction to the national economy, and, as such, can be expected to last about as long as the national recession. Since the sectors of the economy which face the major brunt of the national recession are not dominating factors in the Kansas economy—the influence of automobile manufacturing in the Kansas City area is an important exception—the fallout from the national recession should not be devastating. However, there is a second fundamental problem which the Kansas economy faces—declining agricultural prices—which could have a more dramatic effect. The decline in agricultural prices is a response to the high level of farm production in 1979 and to the reduced state of the agricultural export market, at least for American farmers. As a result, farm income is expected to decline in 1980, and farm income had been expected to be one of the buffers that would prevent Kansas from suffering as much from the recession as the rest of the economy. Thus, the weakness in the farm markets makes the Kansas economy more vulnerable to a major disruption in the national economy than was thought nine months ago. (See Table I.)

Employment (by Business Classification and by Region)

The slowdown in the Kansas economy is reflected particularly in the employment data reported by the Research and Analysis Section of the Kansas Department of Human Resources. Traditionally, Kansas employment declines during the winter and then picks up when spring begins. However, this year the decline began a little earlier and was steeper than in the past few years. The March data continued this trend. Employment by place of work in all industries increased 0.9 percent in March which is less than the usual March increase in employment. Another clue to the slump can be found in the comparison of employment data this year with the same month the year before. For the past few years, there has generally been a three to four percent increase from one year to the next; however, from March 1979 to March 1980, the increase was only 1.6 percent.

Two particular industries, contract construction and aircraft manufacturing, are the primary areas where a change from the previous employment pattern has taken place. Both from February 1978 to March 1978 and from February 1979 to March 1979, employment in contract construction increased more than 14 percent. However, from February 1980 to March 1980, contract construction only increased 9.0 percent. And to make matters worse for Kansas employment, there is little reason to expect contract construction to show the vigor it did last year in the face of a housing slump. The housing slump is worse this year, and nonhousing construction is also expected to decline this year. The situation in the aircraft manufacturing industry is more ambiguous. Until the end of fall last year, employment in aircraft manufacturing had been steadily increasing for several years. Since November 1979, however, employment has declined, and, at least for the near future, it appears that it will continue to decline. Beyond the next few months, it is difficult to project what will happen in the aircraft industry.

One area of employment that has continued to grow despite the slowdown in the Kansas economy is the service industries. The growth in employment in service industries is a phenomenon much like the decline in farm employment: the growth in service industries is a long run trend just as declining farm employment is. It should take more than a small, short-term disruption in the economy to alter this trend. (See Table II.)

Kansas employment data by place of residence also reflect the economic slowdown. The increase in the number of employed persons from February 1980 to March 1980 was about one third less than the increase during these same periods for the previous two years. The unemployment rate dropped from 3.7 percent in February 1980 to 3.5 percent in March. However, in recent years, the unemployment rate has dropped more than twice that amount during this same period. Moreover, the number of unemployed persons is 26.6 percent higher in March 1980 than in March 1979.

The regional employment data provides yet further evidence of the slowdown in the Kansas economy. The slowdown can be detected by comparing February and March 1980 figures and by comparing March 1979 to March 1980. From February to March, eight of the eleven reporting regions experienced a decline in their unemployment rate. The exceptions were the Hutchinson area, where the unemployment rate remained unchanged and the Wichita SMSA and the Emporia area where the unemployment rate increased. As noted earlier, March has usually been a month when the employment situation brightened. Thus, what looks like a moderately strong performance in March 1980, when compared to recent years, is actually a weak performance. From February to March in both 1978 and 1979, all eleven of the regions experienced a decline in the unemployment rate of at least 0.3 percent. The average declines in the unemployment rate in these regions during the February to March periods of 1978 and 1979 are greater than the declines during the same period for 1980 in all regions except Salina where the average is the same as the February to March decline in 1979.

A comparison of March 1979 to March 1980 further confirms the general nature of the slowdown in the Kansas economy. For all eleven regions, the unemployment rate was higher in March 1980 than March 1979: the smallest increase in the unemployment rate was in the Pittsburg area, 0.3 percent, and the average increase in the unemployment rate was about 0.9

Kansas employment data by place of residence also reflect the economic slowdown.

percent. Thus, no major regional employment area seems to be immune from the slowdown.

One particular area which might face more than the ordinary degree of economic difficulties is Wichita. Since the 1960s, the Wichita economy has diversified to some extent, and, consequently, the economic well-being of the area is not nearly as dependent upon the aircraft manufacturing industry. But a dependency still exists. For the past three years, the expansion in the aircraft manufacturing industry has helped to fuel the economic boom that Wichita has been experiencing. However, some segments of the aircraft market have softened, and employment in the Wichita aircraft industry has stagnated for the past several months. In the near future, it appears that the level of employment in the Wichita aircraft industry will drop. Thus, the first real test of how successfully Wichita has diversified its employment base could be coming. (See Table III.)

Retail Sales (by Business Classification and by Region)

As a result of the current recession, national retail sales have been declining since the end of January. The retail sales tax figures by business classification provided by the Research and Planning Section of the Kansas Department of Revenue indicate that in March Kansas was apparently bucking the national trend; however, if inflation is taken into account, then the 2.7 percent increase in retail sales from the quarter ending in December to the quarter ending in March represented, in actual fact, a significant decline in retail sales. The two major categories of Kansas retail sales which have shown a nominal decline—automotive sales and lumber and building material sales—represent the two industries that have been the hardest hit by the recession. The retail sales data comparing the March 1979 quarter to that of March 1980 reveal a 7.9 increase in total retail sales, again a rate of increase significantly below the inflation rate for the year. Moreover, because the March 1980 quarter includes the months of January and February before consumer spending was dramatically reduced by tightened credit and a more pronounced erosion in consumer confidence, the quarter to quarter increase of 2.7 percent will probably be the highest for some months to come. (See Table IV.)

Not surprisingly, given the recessionary environment, the county retail sales data began, in the March quarter, to record the decline in retail sales evident months before in the retail sales by business classification data.

Not surprisingly, given the recessionary environment, the county retail sales data began, in the March quarter, to record the decline in retail sales evident months before in the retail sales by business classification data. Of the State's 105 counties, 63 registered declines; of the 42 registering increases, 18 had increases less than the rate of inflation. This pattern of declines in the March quarter is almost exactly opposite to the county sales activity a year ago: then the January-February-March 1979 quarter when compared to the October-November-December 1978 quarter showed 68 counties registering, for the most part, striking gains in retail sales. This contrast documents—with considerable emphasis—the effects of the recession in the State. Effects that will, no doubt, continue to be felt throughout the spring and summer. (See Table V.)

Farm Prices

The situation for Kansas farmers looks much worse today than it did six to eight months ago. While prices have either remained about the same or dropped slightly in the past six months, the costs to farmers have increased at a steady rate. The costs of fuel, fertilizer, and equipment have increased along with the cost of credit due to the higher interest rates. Thus, farmers face a situation of cash receipts remaining about the same as last year but of costs being significantly higher. The result will be a decline in farm income for 1980.

The March data for prices received and paid by Kansas farmers demonstrate the State's deteriorating farm situation. Of the eleven major classifications for field crops, livestock, and livestock products, nine reported declines in price over the month. Only corn among the field crops and lambs among livestock rose in price (0.8 percent and 7.6 percent, respectively). The declines were in a range from 18.8 percent to 0.8 percent, with the majority of the decreases clustered around 7.0 percent. From March 1979 to March 1980, all prices received for farm products failed to keep up with the annual rate of inflation except for wheat prices (at 17.2 percent, the increase is roughly commensurate with the inflation rate). In fact, over the year, prices for six of the eleven classifications declined, all but one a double-digit drop.

From February to March 1980, prices paid by Kansas farmers rose with the exception of the prices for laying feed (down 0.5 percent) and soybean meal (unchanged). For a monthly rate of increase, the rises were modest to severe, ranging from 3.6 percent for hog concentrate to 1.2 percent for bran. Except for soybean meal (unchanged), prices rose over the year at an average rate of 6.6 percent. Although far below the annual rate of inflation, this figure does not include the sharp yearly increase in price for fuel and petroleum products that Kansas farmers had to absorb. (See Table VI.)

Financial Activity

For the past eighteen months, Kansas commercial banking data have been responding to the various swings in the Federal Reserve's policy. During the late fall of 1978, the Federal Reserve instituted a tight money policy in an attempt to shore up the dollar. The result for Kansas banks was a swift decline in loans from December 1978 to January 1979; then, for three months, loans leveled off at a new, lower plateau. From April through the summer and into the early fall of 1979, loans increased steadily as did

Thus, farmers face a situation of cash receipts remaining about the same as last year but of costs being significantly higher. The result will be a decline in farm income for 1980.

The result of the Federal Reserve's policy for Kansas banks was a sharp drop in loans beginning in January 1980.

interest rates. This phenomenon was explained by pointing to the inflation rate which had reached double digits. A 14 percent interest rate seems high by itself; however, a 10 percent rate of inflation has the effect of lowering the real interest rate to four percent. As the inflation rate continued to increase at least as fast as interest rates, money remained relatively cheap, and, as a result, Kansas loan demand remained high during the late summer and early fall of 1979. At this point, the Federal Reserve altered their policy once more.

The Fed felt it was imperative to slow down inflation even if it meant causing a recession. In order to slow loan demand and quash inflationary expectations, control over the money supply was tightened, and interest rates jumped. The result of the Federal Reserve's policy for Kansas banks was a sharp drop in loans beginning in January 1980. For the last half of 1979, the statewide monthly average for loans was $7,755 million; for the first quarter of 1980, the statewide monthly average for loans was $6,898 million: a drop of over 11 percent from the monthly average for the last half of 1979. Since January 1980, the statewide monthly loan figures have stabilized. From February to March, statewide loans increased 0.4 percent, rising to $6,892 million, only six million dollars below the monthly average for the first quarter of 1980. Because demand deposits dropped significantly in March, the statewide loan to deposit ratio actually rose almost two percentage points. However, the March statewide loan to deposit figure of 55.1 percent is still significantly below the December figure of 61.5 percent.

Of the three major banking centers in Kansas, only Kansas City, Kansas banks have followed the statewide pattern. Loans from Wichita banks dropped in October 1979 and have remained at about the same level for six months. The loan to deposit ratio took a sudden drop in October and continued to decline through February because of increased deposits. However, in March, this pattern changed: deposits declined, as the loan to deposit ratio increased. Topeka banks have followed the same pattern as Wichita banks. (See Table VII.)

For the past year, savings and loan institutions in Kansas have faced both declining net new savings and declining mortgage loans made. The monthly averages for net new savings and mortgage loans made in 1978 were $41,522 thousand and $121,724 thousand, respectively. In 1979, these same monthly averages fell to $32,396 thousand and $99,769 thousand: a decline of 22.0 percent in net new savings and a decline of 18.0 percent in mortgage loans made. During the first quarter of 1980, the situation became worse for savings and loans. The first quarter 1979 monthly average for net new savings was $62,568 thousand and for mortgage loans made was $79,299 thousand. By the first quarter of 1980, these monthly averages had fallen to $21,160 thousand and $46,416 thousand: these figures represented a decline of 66.2 percent in net new savings and a decline of 41.5 percent in mortgage loans made. Although the March figures for savings and loans appear to represent the beginning of an upswing when compared to February's figures, when these same March figures are compared to the March numbers from the previous year it becomes apparent that the March 1980 data record a continuation of the decline experienced by savings and loan institutions during the first quarter of 1980. (See Table VIII.)

TABLE I
GENERAL BUSINESS INDICATORS

	Mar. 1980	Feb. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	40.10	39.70	1.0	40.90	40.70
Average Weekly Earnings (dollars)	287.92	284.65	1.1	289.30	240.99
Initial Claims for					
Unemployment Insurance	9,296.00	11,065.00	– 16.0	10,811.00	8,082.00
New Incorporations					
In-State For Profit	353.00	368.00	– 4.1	395.00	336.00
Out-of-State For Profit	115.00	81.00	42.0	90.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK
(thousands)

Industry	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
All Industries	953.1	944.5	0.9	938.0	1.6
Manufacturing	197.7	196.9	0.4	198.4	– 0.4
Durable Goods	132.7	132.5	0.2	130.5	1.7
Stone, Clay, Glass	8.9	8.9	0.0	8.8	1.1
Primary Metals	4.2	4.2	0.0	4.2	0.0
Fabricated Metal Products	12.9	13.0	– 0.8	14.0	– 7.9
Machinery (incl. elec.)	38.2	38.1	0.3	36.9	3.5
Transportation Equipment	56.3	56.3	0.0	54.1	4.1
Aircraft & Parts	46.2	46.1	0.2	42.3	9.2
Other Durable Goods	12.2	12.0	1.7	12.5	– 2.4
Nondurable Goods	65.0	64.4	0.9	67.9	– 4.3
Food & Kindred Products	22.2	22.1	0.5	22.6	– 1.8
Meat Products	8.9	8.9	0.0	8.6	3.5
Apparel	3.6	3.4	5.9	3.7	– 2.7
Printing & Publishing	17.4	17.2	1.2	16.8	3.6
Chemicals	9.0	9.0	0.0	8.6	4.7
Petroleum & Coal	3.0	2.9	3.4	4.5	– 33.3
Other Nondurable	9.8	9.8	0.0	11.7	– 16.2
Mining	14.0	13.7	2.2	13.2	6.1
Oil & Gas Extraction	11.9	11.8	0.8	11.2	6.2
Contract Construction	45.8	42.0	9.0	44.7	2.5
Trans., Comm., Elec., Gas	65.9	65.5	0.6	64.7	1.9
Wholesale Trade	64.4	63.8	0.9	62.6	2.9
Retail Trade	160.3	160.4	– 0.1	159.3	0.6
Finance, Insurance, Real Estate	45.9	46.1	– 0.4	45.0	2.0
Services	170.3	168.4	1.1	162.2	5.0
Federal Government	26.4	26.3	0.4	25.9	1.9
State & Local Government	162.4	161.4	0.6	162.0	0.2

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,211,400	1,198,600	1.1	1,185,500	2.2
Employed	1,169,100	1,153,800	1.3	1,152,100	1.5
Farm	58,000	53,100	9.2	59,300	– 2.2
Non-Farm	1,111,100	1,100,700	0.9	1,092,800	1.7
Unemployed	42,300	44,800	– 5.6	33,400	26.6
Rate	3.5%	3.7%		2.8%	
Lawrence SMSA					
Civilian Labor Force	35,800	35,400	1.1	34,400	4.1
Employed	34,400	34,000	1.2	33,500	2.7
Farm	700	700	0.0	700	0.0
Non-Farm	33,700	33,300	1.2	32,800	2.7
Unemployed	1,400	1,400	0.0	900	55.6
Rate	3.9%	4.0%		2.6%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	272,100	270,400	0.6	262,600	3.6
Employed	261,700	259,200	1.0	254,400	2.9
Farm	1,300	1,200	8.3	1,300	0.0
Non-Farm	260,400	2,580,000	– 89.9	253,100	2.9
Unemployed	10,400	11,200	– 7.1	8,200	26.8
Rate	3.8%	4.1%		3.1%	
Topeka SMSA					
Civilian Labor Force	96,000	94,900	1.2	94,400	1.7
Employed	91,600	90,300	1.4	91,000	0.7
Farm	1,700	1,500	13.3	1,700	0.0
Non-Farm	89,900	88,800	1.2	89,300	0.7
Unemployed	4,400	4,600	– 4.3	3,400	29.4
Rate	4.6%	4.8%		3.6%	
Wichita SMSA					
Civilian Labor Force	228,800	225,600	1.4	217,900	5.0
Employed	221,200	218,800	1.1	211,800	4.4
Farm	2,300	2,100	9.5	2,400	– 4.2
Non-Farm	218,900	216,700	1.0	209,400	4.5
Unemployed	7,600	6,800	11.8	6,100	24.6
Rate	3.3%	3.0%		2.8%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,875	17,800	0.4	17,225	3.8
Employed	17,450	17,300	0.9	16,875	3.4
Farm	850	775	9.7	875	– 2.9
Non-Farm	16,600	16,525	0.5	16,000	3.8
Unemployed	425	500	– 15.0	350	21.4
Rate	2.4%	2.8%		2.0%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,675	16,500	1.1	16,450	1.4
Employed	15,900	15,675	1.4	15,750	1.0
Farm	775	700	10.7	775	0.0
Non-Farm	15,125	14,975	1.0	14,950	1.2
Unemployed	775	825	– 6.1	700	10.7
Rate	4.6%	5.0%		4.3%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,775	17,700	0.4	17,750	0.1
Employed	17,150	17,125	0.1	17,325	– 1.0
Farm	750	700	7.1	775	– 3.2
Non-Farm	16,400	16,425	– 0.2	16,550	– 0.9
Unemployed	625	575	8.7	425	47.1
Rate	3.5%	3.2%		2.4%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,150	20,950	1.0	21,475	– 1.5
Employed	20,400	20,175	1.1	21,050	– 3.1
Farm	550	500	10.0	575	– 4.3
Non-Farm	19,850	19,675	0.9	20,475	– 3.1
Unemployed	750	775	– 3.2	425	76.5
Rate	3.5%	3.7%		2.0%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	32,050	32,050	0.0	31,375	2.2
Employed	30,900	30,900	0.0	30,475	1.4
Farm	1,225	1,125	8.9	1,250	– 2.0
Non-Farm	29,675	29,775	– 0.3	29,225	1.5
Unemployed	1,150	1,150	0.0	900	27.8
Rate	3.6%	3.6%		2.9%	
Riley Co.—Manhattan Area					
Civilian Labor Force	22,175	22,025	0.7	21,500	3.1
Employed	21,325	21,100	1.1	20,850	2.3
Farm	975	900	8.3	975	0.0
Non-Farm	20,350	20,200	0.7	19,875	2.4
Unemployed	850	925	– 8.1	650	30.8
Rate	3.8%	4.2%		3.0%	
Saline Co.—Salina Area					
Civilian Labor Force	26,175	26,225	– 0.2	25,900	1.1
Employed	25,075	24,900	0.7	25,100	– 0.1
Farm	650	600	8.3	650	0.0
Non-Farm	24,425	24,300	0.5	24,450	– 0.1
Unemployed	1,100	1,325	– 17.0	800	37.5
Rate	4.2%	5.1%		3.1%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Mar. * 1980	Dec.* 1980	% change	Mar.* 1979	% change
Apparel	36.5	28.3	29.0	32.1	13.7
Automotive	181.2	215.0	– 15.7	168.8	7.3
Food	248.8	231.3	7.6	219.9	13.1
Furniture	48.0	43.1	11.4	41.0	17.1
General Merchandise	186.3	140.2	32.9	163.4	14.0
Lumber and Building Materials	86.8	100.8	– 13.9	74.4	16.7
Professional and Personal Service	42.2	40.3	4.7	33.1	27.5
Unclassified	98.1	102.8	– 4.6	86.3	13.7
Farm and Garden Products	1.0	1.0	0.0	0.8	25.0
Manufacturing and Trading	77.7	81.7	– 4.9	59.0	31.7
Miscellaneous	2.6	1.9	36.8	1.6	62.5
Total	1055.3	1027.8	2.7	978.3	7.9

* Monthly Average for Prior Three Months

Source: Research and Planning Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Mar. 1980	Sales * Dec. 1979	Change From Dec. 1979 (%)	Sales * Mar. 1979	Change From Mar. 1979 (%)
Allen	5,457	5,337	2.2	4,536	20.3
Anderson	2,490	2,553	− 2.5	1,957	27.2
Atchison	4,981	4,956	0.5	4,948	0.7
Barber	2,515	2,576	− 2.4	2,078	21.0
Barton	25,549	24,208	5.5	20,145	26.8
Bourbon	5,561	5,668	− 1.9	5,042	10.3
Brown	3,527	3,734	− 5.5	3,230	9.2
Butler	15,474	16,062	− 3.7	12,517	23.6
Chase	724	798	− 9.2	651	11.2
Chautauqua	1,152	1,112	3.6	966	19.3
Cherokee	4,381	4,332	1.1	4,069	7.7
Cheyenne	1,534	1,413	8.6	1,173	30.8
Clark	640	649	− 1.3	554	15.5
Clay	3,332	3,112	7.1	3,111	7.1
Cloud	4,957	4,571	8.4	4,253	16.5
Coffey	2,358	2,245	5.1	1,948	21.1
Comanche	595	584	1.9	559	6.3
Cowley	14,210	13,316	6.7	11,869	19.7
Crawford	12,677	12,744	− 0.5	11,628	9.0
Decatur	1,564	1,692	− 7.6	1,535	1.9
Dickinson	6,027	5,944	1.4	5,558	8.4
Doniphan	1,700	2,385	− 28.7	1,774	− 4.2
Douglas	23,422	23,694	− 1.2	20,990	11.6
Edwards	1,061	1,095	− 3.2	974	8.9
Elk	673	673	0.0	650	3.5
Ellis	13,624	13,354	2.0	12,093	12.7
Ellsworth	1,776	1,954	− 9.1	1,638	8.4
Finney	16,035	15,669	2.3	13,865	15.7
Ford	15,206	15,160	0.3	12,710	19.6
Franklin	7,222	6,998	3.2	6,250	15.6
Geary	8,469	8,450	0.2	8,014	5.7
Gove	1,294	1,402	− 7.7	1,327	− 2.4
Graham	1,647	1,683	− 2.1	1,357	21.4
Grant	3,726	3,768	− 1.1	3,099	20.2
Gray	1,710	1,837	− 6.9	1,635	4.6
Greeley	480	517	− 7.3	512	− 6.4
Greenwood	2,760	2,905	− 5.0	2,383	15.8
Hamilton	744	802	− 7.2	733	1.6
Harper	3,008	2,907	3.4	2,468	21.9
Harvey	10,440	9,643	8.3	8,682	20.3
Haskell	990	1,109	− 10.8	907	9.1
Hodgeman	397	392	1.3	347	14.3
Jackson	2,307	2,418	− 4.6	2,284	1.0
Jefferson	3,276	3,211	2.0	2,024	61.8
Jewell	760	979	− 22.4	896	− 15.2
Johnson	132,913	124,522	6.7	114,999	15.6
Kearny	689	760	− 9.4	657	4.8
Kingman	2,591	2,644	− 2.0	2,187	18.5
Kiowa	1,375	1,404	− 2.1	1,068	28.7
Labette	8,261	8,234	0.3	7,599	8.7
Lane	773	913	− 15.3	687	12.6
Leavenworth	11,839	12,052	− 1.8	11,405	3.8
Lincoln	1,035	1,069	− 3.2	1,011	2.4

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Mar. 1980	Sales * Dec. 1979	Change From Dec. 1979 (%)	Sales * Mar. 1979	Change From Mar. 1979 (%)
Linn	1,782	1,991	– 10.4	1,567	13.7
Logan	1,649	2,109	– 21.8	1,589	3.8
Lyon	13,900	13,664	1.7	11,914	16.7
McPherson	10,203	10,256	– 0.5	9,026	13.0
Marion	3,958	3,900	1.5	3,284	20.5
Marshall	4,066	4,062	0.1	3,548	14.6
Meade	1,433	1,483	– 3.4	1,206	18.8
Miami	6,022	6,342	– 5.0	5,187	16.1
Mitchell	3,731	3,733	– 0.1	3,359	11.1
Montgomery	15,829	15,855	– 0.2	14,699	7.7
Morris	1,411	1,542	– 8.5	1,400	0.8
Morton	1,275	1,204	5.9	1,114	14.4
Nemaha	3,574	3,444	3.8	3,160	13.1
Neosho	8,418	7,962	5.7	6,963	20.9
Ness	1,890	1,880	0.5	1,452	30.1
Norton	2,237	2,361	– 5.3	2,020	10.8
Osage	3,114	3,457	– 9.9	2,798	11.3
Osborne	1,679	1,774	– 5.3	1,671	0.5
Ottawa	1,165	1,175	– 0.8	1,077	8.2
Pawnee	3,107	3,222	– 3.6	2,679	16.0
Phillips	2,557	2,666	– 4.1	2,411	6.1
Pottawatomie	4,384	4,945	– 11.3	3,794	15.5
Pratt	5,397	5,081	6.2	4,420	22.1
Rawlins	965	982	– 1.8	954	1.1
Reno	31,479	29,393	7.1	25,959	21.3
Republic	2,351	2,675	– 12.1	2,197	7.0
Rice	3,118	3,253	– 4.2	2,884	8.1
Riley	16,461	15,800	4.2	15,257	7.9
Rooks	3,601	3,523	2.2	2,990	20.4
Rush	1,337	1,450	– 7.8	1,071	24.9
Russell	5,483	5,195	5.5	4,176	31.3
Saline	28,070	28,238	– 0.6	24,573	14.2
Scott	2,475	2,553	– 3.1	2,645	– 6.4
Sedgwick	208,570	195,809	6.5	170,424	22.4
Seward	12,319	11,599	6.2	11,303	9.0
Shawnee	74,437	72,264	3.0	68,133	9.3
Sheridan	1,104	1,294	– 14.7	1,052	5.0
Sherman	4,056	4,216	– 3.8	3,633	11.6
Smith	1,758	1,787	– 1.6	1,659	5.9
Stafford	1,676	1,551	8.1	1,362	23.0
Stanton	778	716	8.6	562	38.3
Stevens	1,521	1,548	– 1.8	1,495	1.7
Sumner	6,645	5,819	14.2	5,779	15.0
Thomas	4,499	4,619	– 2.6	4,176	7.7
Trego	1,224	1,338	– 8.5	1,306	– 6.3
Wabaunsee	995	1,115	– 10.7	961	3.5
Wallace	551	670	– 17.7	569	– 3.2
Washington	2,229	2,014	10.6	1,963	13.5
Wichita	855	961	– 11.0	802	6.6
Wilson	2,745	2,873	– 4.5	2,774	– 1.1
Woodson	1,065	1,206	– 11.7	919	15.8
Wyandotte	60,520	61,374	– 1.4	55,835	8.4

Source: Research and Planning Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.48	3.73	– 6.7	2.97	17.2	3.49
Corn (bu.)	2.47	2.45	0.8	2.27	8.8	2.48
Sorghum (cwt.)	3.83	3.89	– 1.5	3.43	11.7	3.75
Hay (ton)	47.00	49.00	– 4.1	54.00	– 13.0	50.17
Soybeans (bu.)	5.56	5.92	– 6.1	7.10	– 21.7	6.72
Livestock & Products						
Beef Cattle (cwt.)	69.20	75.50	– 8.3	74.40	– 7.0	67.82
Calves (cwt.)	80.50	85.00	– 5.3	99.40	– 19.0	87.14
Hogs (cwt.)	32.10	35.60	– 9.8	48.40	– 33.7	41.83
Lambs (cwt.)	67.80	63.00	7.6	63.50	6.8	66.18
Sheep (cwt.)	24.70	30.40	– 18.8	27.50	– 10.2	21.15
Milk (cwt.)	12.80	12.90	– 0.8	12.00	6.7	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.00	12.00	0.0	12.00	0.0	12.33
Bran (cwt.)	8.20	8.10	1.2	7.60	7.9	7.55
Beef Conc. (cwt.)	10.00	9.80	2.0	9.40	6.4	9.61
16% Dairy Feed (ton)	161.00	161.00	0.0	152.00	5.9	154.50
Hog Conc. (cwt.)	14.50	14.00	3.6	14.00	3.6	13.83
Laying Feed (ton)	189.00	190.00	– 0.5	175.00	8.0	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Kansas—Statewide					
Loans	6,892	6,865	0.4	6,591	4.6
Demand Deposits	3,905	4,297	– 9.1	3,707	5.3
Time & Saving Deposits	8,613	8,601	0.1	7,684	12.1
Loan-to-Deposit Ratio	55.1%	53.2%		57.9%	
Kansas City (Wyandotte)					
Loans	436	442	– 1.4	463	– 5.8
Demand Deposits	222	251	– 11.6	245	– 9.4
Time & Saving Deposits	581	572	1.6	536	8.4
Loan-to-Deposit Ratio	54.3%	53.7%		59.3%	
Topeka (Shawnee)					
Loans	491	497	– 1.2	461	6.5
Demand Deposits	294	309	– 4.9	282	4.3
Time & Saving Deposits	509	516	– 1.4	529	– 3.8
Loan-to-Deposit Ratio	61.1%	60.2%		56.8%	
Wichita (Sedgwick)					
Loans	1,205	1,204	0.1	1,202	0.2
Demand Deposits	795	795	0.0	678	17.3
Time & Saving Deposits	1,200	1,255	– 4.4	1,105	8.6
Loan-to-Deposit Ratio	60.4%	58.7%		67.4%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Net New Savings	32,153	16,161	99.0	97,153	– 66.9
Mortgage Loans Made	53,004	42,229	25.5	97,278	– 45.5

Source: Federal Home Loan Bank of Topeka